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Case No: 88760
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Decision No 154/22/COL

Ministry of Trade, Industry and Fisheries
PO Box 8090 Dep
0032 Oslo
Norway

Subject: Investment aid to Avinor for a new airport in Mo i Rana

1 Summary

- (1) The EFTA Surveillance Authority (“ESA”) wishes to inform Norway that, having assessed the notified investment aid in favour of Avinor AS (“Avinor”) for the construction of a new airport in Mo i Rana, Norway (“the measure”), ESA considers that the measure constitutes state aid within the meaning of Article 61(1) of the EEA Agreement and decides not to raise objections to the measure,¹ as it is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(c). ESA has based its decision on the following considerations.

2 Procedure

- (2) The Norwegian authorities notified the measure on 20 May 2022,² and provided additional clarifications on 12 and 15 June 2022.³

3 Description of the measure

3.1 Background

3.1.1 Introduction

- (3) The notification concerns individual investment aid in the form of a direct grant up to NOK 3 170 million (2021 NOK, undiscounted)⁴ to Avinor for the construction of a new airport in the vicinity of Mo i Rana, a city located in the Helgeland region of Nordland county, Norway (“the new airport” or “the project”). The new airport will be constructed in the Fagerlia area, located approximately 11 kilometres east of Mo i Rana.
- (4) The new airport will replace the existing local airport in Røssvoll (“Røssvoll airport”), located approximately 12 kilometres outside the city of Mo i Rana.
- (5) The new airport will become part of the state-owned airport infrastructure network, owned and operated by Avinor.

¹ Reference is made to Article 4(3) of the Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice.

² Document No 1290870 (notification), and its annexes.

³ Document No 1294678 and 1296026.

⁴ See also paragraphs (41), (46) and (50).

3.1.2 Events leading up to the decision to construct a new airport

- (6) In 2007, Polarsirkelen Lufthavnutvikling AS (“PLU”) was formed with the objective of establishing a new airport in the Helgeland region. PLU is owned by local undertakings and is 50% financed by the local industry and 50% by Rana municipality.
- (7) As explained by the Norwegian authorities, PLU conducted in 2009 a preliminary study of the project with the assistance of the Norwegian authorities and Avinor. In 2014, the Ministry of Transport tasked Avinor with undertaking a preliminary project and licence application for a new airport in Mo i Rana. This process was concluded in 2015, revealing that constructing a new airport in Mo i Rana would not be profitable.⁵
- (8) In the Norwegian Government’s National Transport Plan for 2022-2033, the Norwegian Government reiterated its intention, first set out in the previous National Transport Plan for 2018-2029,⁶ to provide investment aid of NOK 1 800 million (P50 cost estimate)⁷ in the first six-year period from 2022 to 2027 for the construction of the new airport, subject to a contribution from Rana municipality (NOK 450 million) and local undertakings (NOK 150 million).

3.1.3 The Helgeland region

- (9) The new airport will be located close to the city of Mo i Rana (see figure 2). Mo i Rana is the administrative centre of the municipality of Rana, located in the Helgeland region of Nordland county in the northern part of Norway.
- (10) According to data from Eurostat, there were 243 385 inhabitants in Nordland county in 2019, resulting in 6.7 inhabitants per km².⁸ The Helgeland region has approximately 85 000 inhabitants and covers about 18 834 km², resulting in around 4.5 inhabitants per km².
- (11) The Norwegian authorities note that, being a sparsely populated area, the region qualifies as a “remote region” (points 25(26) and 25(27) of ESA’s Guidelines on state aid to airports and airlines (“the [Aviation Guidelines](#)”).⁹
- (12) Rana is the third-largest municipality in Northern Norway, with 26 300 inhabitants, and the largest city in the southern part of Nordland county. Helgeland is the largest region in Norway, not part of the Norwegian Air Shuttle or Scandinavian Airlines networks, the two largest airline companies operating in Norway.

Figure 1. Population density, 2019 (persons per km² by NUTS 3 regions)¹⁰

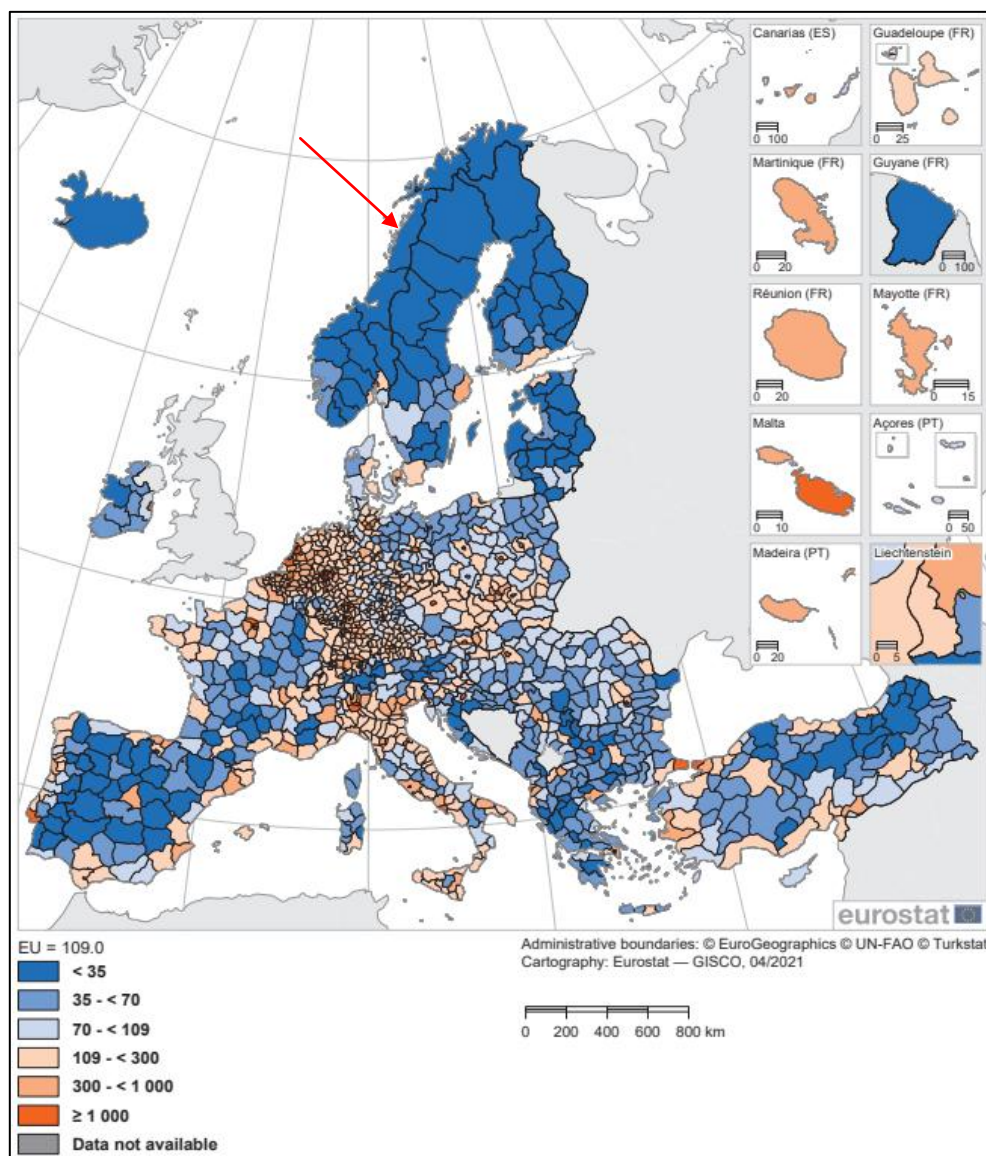
⁵ See, for instance, the assessment by Oslo Economics: [Vurdering av samfunnsøkonomisk lønnsomhet for ny Mo i Rana lufthavn](#), January 2021, pages 6 and 23-24, Prop. 193 S (2020-2021) [Nokre saker om luftfart, veg, særskilde transporttiltak og jernbane](#), pages 5-6, Meld. St. 33 (2016-2017) [Nasjonal transportplan 2018-2029](#), page 117.

⁶ See Meld. St. 20 (2020-2021) [Nasjonal transportplan 2022-2033](#), page 232.

⁷ The study relies on a methodology commonly used in cost estimation of large projects and encompasses developing the base cost (no added cost due to risk) and then performing cost risk analysis. P50 is a cost estimate where 50% of all simulated cases show projected costs below and 50% above the P50 estimate.

⁸ [Population density by NUTS 3 region](#). Eurostat, 2019.

⁹ As adopted by ESA’s [Decision No 216/14/COL](#) of 28 May 2014 amending for the 96th time the procedural and substantive rules in the field of state aid by adopting new Guidelines on state aid to airports and airlines [2016/2051], OJ L 318, 24.11.2016, p. 17-51, EEA Supplement No 66, 24.11.2016, p. 1-33.



Note: The red arrow pointing towards Mo i Rana has been added to the original figure.

- (13) The Norwegian authorities have explained that the Helgeland region is not well connected to the rest of Norway or the EEA. There are no other airports with scheduled air services located within 60 minutes of travelling time by car or other modes of transport from the new airport's location. In addition, there are no high-speed rail services nor any prospects for developing such services in the near future.¹¹ Therefore, the new airport will contribute to regional connectivity.

3.1.4 Economic activity in the region

- (14) The Helgeland region is the largest export region in Northern Norway, representing a significant part of the total exports from Nordland county. The total exports from undertakings in Nordland county amounted to more than 38 billion NOK in 2021.¹² The main exports are steel, iron and aluminium products, ferroalloys, products for the shipping and offshore industry and seafood.

¹⁰ Eurostat regional yearbook, 2021 edition, page 24.

¹¹ See also [Nasjonal transportplan 2022–2033](#) at footnote 5, not foreseeing a high-speed railway on *Nordlandsbanen* (the Nordland Line).

¹² [Indeks Nordland-rapport 2022](#).

- (15) In recent years, the region has also attracted green industries. Two data centres have been established in the area, and undertakings within the wind power industry are considering establishing themselves in the area. Furthermore, FREYR Battery Norway AS (“FREYR”), an undertaking in the battery cell industry, recently decided to build a 43 GWh battery cell production plant in Mo i Rana by 2025. Its production plant is expected to employ 1 500 people, whilst the construction of the plant is expected to create an additional 2 700 jobs.
- (16) The majority of the export industry is located within the catchment area of the new airport. Approximately 70% of the export markets for the Helgeland region are located in the EEA and several of the undertakings in the region are owned by undertakings and persons established in other EEA States.
- (17) Oslo is Norway’s hub for traffic to and from the EEA. With regular traffic to and from Oslo, the new airport will support the industry’s relationship with its customers, suppliers, and owners, as well as contact with research and development environments. Furthermore, it is expected that the establishment of new industry in the region will increase demand for labour from the EEA.
- (18) In addition, Avinor’s strategy for Northern Norway emphasises the region’s great potential for tourism.¹³ A key factor in developing tourism in the region is the availability of flights at affordable prices. The strategy points to the fact that the tourism industry faces challenges, especially during winter, due to the limited connectivity. In particular, the lack of flight capacity and the expensive tickets limit further growth.
- (19) The Norwegian authorities submit that the currently limited connectivity constitutes an obstacle to further regional development and mobility for the inhabitants of Helgeland. Therefore, there is a need for a new airport in the region to resolve these obstacles and improve the connectivity of the Helgeland region.

3.2 The current airport and other airports in the vicinity

- (20) The new airport will replace the existing local Røssvoll airport, located approximately 12 kilometres outside the city of Mo i Rana, and affect air service operations of other airports in the vicinity.
- (21) Røssvoll airport’s runway is 799 metres long. The length of the runway excludes the possibility of landing the most commonly used airplane for domestic flights in Norway and for international flights, the Boeing 737, or airplanes of similar size. The Norwegian authorities submit that the length of the runway limits the utilisation of the airport, resulting in limited competition between airlines and high ticket prices.
- (22) Airline transport in the area is currently served by Widerøes Flyveselskap AS (“Widerøe”), operating PSO routes from Røssvoll airport to Bodø, Trondheim, Tromsø and Oslo. Before the COVID-19 outbreak, Røssvoll airport served approximately 100 000 passengers annually.

¹³ See [Avinor og Nordområdene mot 2040](#), 2018, pages 5-6 and 14-16.; Menon Economics: [Utenlandske flyreisende: omfang og betydning for økonomien i norske regioner](#), 2019, pages 56-57; Meld. St. 9 (2020-2021) [Mennesker, muligheter og norske interesser i nord](#), pages 99-103; and [Nasjonal transportplan 2022–2033](#), section 8.4, page 126 at footnote 5.

- (23) Additionally, three other airports are located in the nearest vicinity (approximately 90-130 kilometres distance from the new airport):

Table 1. Airports in the vicinity of Mo i Rana¹⁴

Airport	Approximate distance from Røssvoll airport (km)	Approximate travel time by car
Mosjøen airport	105 km	1 hour 30 minutes
Sandnessjøen airport	131 km	1 hour 50 minutes
Hemavan-Tärnaby (Sweden)	90 km	1 hour 20 minutes

Figure 2. Map of the airports in the vicinity of Mo i Rana¹⁵



- (24) Avinor operates the airports in Mosjøen and Sandnessjøen. Widerøe only serves both airports as part of their PSO routes to Bodø and Trondheim. However, the airport in Sandnessjøen has a route to Oslo three times a week during the summer months (June to August). The Hemavan-Tärnaby airport in Sweden offers routes to Stockholm via Vilhelmina.
- (25) Similarly to the Røssvoll airport, the three airports in the vicinity cannot serve larger airplanes such as the Boeing 737, the airplane normally used for domestic routes in Norway and international flights, due to the size of their respective

¹⁴ See *Ny lufthavn Mo i Rana - Ekstern kvalitetssikring (KS2)*, Concreto AS, 15 March 2021, [Appendix 2](#), page 4.

¹⁵ The text on the left translates to the following: "Red lines show the new European highway (E6) with speed limit 90 km/hr and the new tunnel (FC78) which reduces the transportation time to the new airport".

runways. The business plans of these airports thus differ from the new airport planned in Mo i Rana.

- (26) Closest to the new airport in Mo i Rana able to serve larger airplanes is the Bodø airport. Bodø airport's distance from the new airport is approximately 217 km and equal to 3 hours' travel time by car, depending on traffic and weather conditions.¹⁶ The weather conditions on the road between Mo i Rana and Bodø, the E6 Saltfjellet road, can be challenging. During the winter season of 2019/2020, the road was either closed or experienced imposed convoy driving, resulting in traffic delays, 94 times. On average, the road experiences delays or is closed 55 times during the winter season.¹⁷
- (27) Upon construction of the new airport in Mo i Rana, the airport network structure in the region will be similar to that of the northern parts of Nordland county and the southern parts of Troms and Finnmark county. Namely, the region will have one larger airport serving the traffic not just to Oslo, but to also European and intercontinental routes, and smaller airports served by PSO routes.

3.3 The new airport

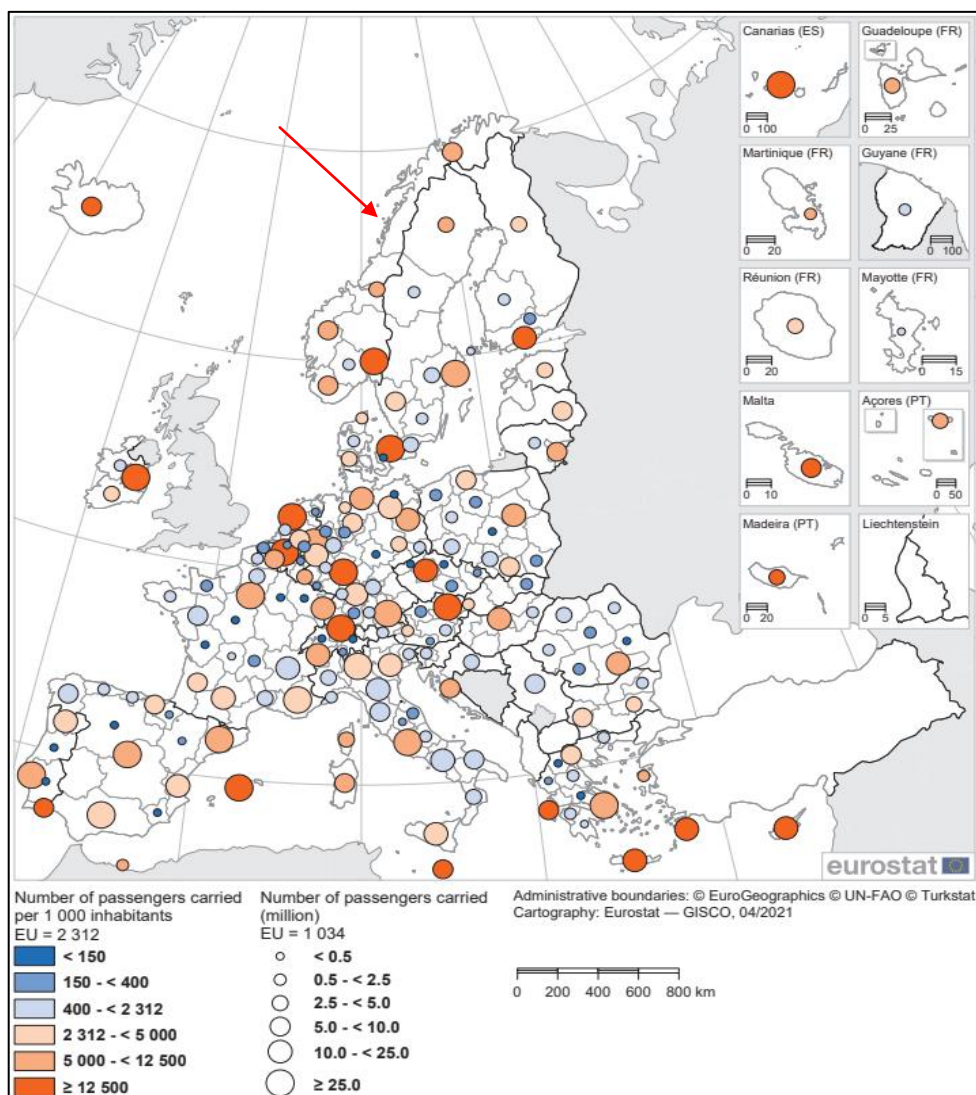
- (28) The new airport will include a runway of 2200-2400 metres, parking space for 5 airplanes, parking space for two helicopters, a terminal of approximately 5 000 m², a service building of approximately 4 200 m², parking facilities for approximately 450 cars, connection to the municipal water and sewerage system, removal of current power lines, power and energy supply, as well as a two-lane access road from the E12 highway.
- (29) The project is estimated to start in the third quarter of 2022. The project is expected to be finalised and reach full capacity within 4 years. The projected economic lifetime of the infrastructure is set to 40 years.
- (30) The length of the runway of the new airport will enable airplanes used for domestic and international flights to utilise the airport. This will increase both domestic and international connectivity of the region. The increased length of the runway and the overall increased capacity of the new airport is expected to attract more travellers and airlines. The Norwegian authorities submit that although traffic forecasts of the airport have been revised downwards to take account of the COVID-19 pandemic, forecasts (and the resulting financial projections) still show a growth potential. The projections for the existing Røssvoll airport per December 2020 are estimated at 1.15% in the period from 2026 to 2030 and 0.28% from 2031 to 2064.

Figure 3. Air passengers in 2019 (by NUTS 2 regions)¹⁸

¹⁶ *Ny lufthavn Mo i Rana - Ekstern kvalitetssikring (KS2)*, [Appendix 2](#), page 4, at footnote 14.

¹⁷ See, for instance, a [news report](#) dated 6 March 2020 by Statens vegvesen (the Norwegian Public Roads Administration).

¹⁸ [Eurostat regional yearbook](#), page 177, at footnote 10. "NUTS" stands for Nomenclature des Unités Territoriales Statistiques (i.e. nomenclature of territorial units for statistics).



Note: the red arrow pointing towards Mo i Rana has been added to the original figure.

- (31) Prior to the COVID-19 outbreak, 300 000 to 400 000 passengers were expected to use the new airport in Mo i Rana annually. This estimate was based, among other things, on various studies carried out from 2008 to 2016.¹⁹
- (32) After the outbreak of the COVID-19 pandemic, new socio-economic assessments of the new airport were carried out in January and March 2021, respectively.²⁰ Although traffic forecasts of the airport have been revised downwards to account for the COVID-19 pandemic forecasts (and the resulting financial projections) still show a potential for growth. These analyses conclude that the new airport is also likely to generate new demand. The estimated number of passengers is, however, uncertain. As set out in both of the reports, alternative methods for analysis have been used to estimate the market potential and passenger traffic.
- (33) The annual forecasted average passenger traffic on all routes during the projected economic lifetime of the infrastructure is as follows:

¹⁹ This is based on the following studies: a [study](#) by Urbanet in 2015; [two studies](#) by Møreforskning in 2015 and 2016; and a [study](#) by the Nord University in 2016.

²⁰ See the [report](#) by Oslo Economics from January 2021, cited above, and the [report](#) by Concreto from March 2021, cited above.

Table 2. Annual passengers at the new airport, forecasts for 2026 to 2064 (selected years)²¹

Year	Estimated total number of passengers medium scenario, all routes	Estimated total number of passengers high scenario, all routes
2026	240 000	325 000
2030	251 000	340 000
2040	258 000	350 000
2064	277 000	374 000

- (34) The Norwegian authorities confirm that the new airport will be open to all potential users and not be dedicated to one specific user. In case of physical limitation of capacity, the allocation will be performed based on pertinent, objective, transparent and non-discriminatory criteria.

3.4 The investment project

- (35) The measure aims to realise the investment project entailing the construction of the new airport and related infrastructure. The Norwegian authorities have provided a list outlining the project's total costs.

Table 3. Cost structure (P85,²² 2021 NOK, undiscounted)

TYPES OF COSTS	AMOUNT
PLANNING	417 800 000
PREPARATORY WORKS	232 000 000
WORKS IN THE TERRAIN	1 057 300 000
RUNWAY SYSTEMS	544 800 000
BUILDINGS	544 200 000
PREPARATION FOR OPERATIONS	125 000 000
LANDSIDE	331 900 000
AIR TRAFFIC CONTROL	67 000 000
TOTAL	3 320 000 000

- (36) As presented in table 2 above, the number of passengers forecasted to be served by the new airport is 240 000 to 325 000. By the year 2064, the airport is expected to serve around 277 000 to 374 000 passengers. The Norwegian authorities

²¹ As estimated by the Norwegian authorities, based on Ny lufthavn Mo i Rana - Ekstern kvalitetssikring (KS2), Concreto AS, 15 March 2021, Annex 2, Table 12 at pp. 16-17 and Figure 12 at p 20.

²² P85 is a cost estimate where 85% of all simulated cases show projected costs below and 15% above the P85 estimate.

consider that the current infrastructure is insufficient to ensure connectivity with the rest of Norway and the EEA due to the limited capacity and insufficient length of the runways. Consequently, it is insufficient to further the development of a number of industries in the area, such as the process, engineering and seafood industries, as well as the local tourism sector (see section 3.1.4 above).

- (37) Moreover, traffic forecasts suggest that passenger demand in the region will increase in the coming years. Furthering the development, and subsequently meeting this new demand, would not be possible with the current infrastructure.
- (38) Therefore, the main objective of the investment project is to provide sufficient funding to construct a new airport and related infrastructure. This will provide the Helgeland region with a larger airport, effectively improving its connectivity with the rest of Norway, most importantly Oslo, and the EEA. The new airport may serve airplanes used in the national network and for destinations in Europe, such as Boeing 737 or planes of similar size, and thus increase the mobility of EEA citizens.
- (39) The Helgeland region is an important industrial centre in the northern part of Norway, which is currently experiencing an increase in foreign investments. Thereby, the measure also aims to facilitate regional development.

3.5 Budget, form of aid, eligible investment costs and the funding gap

- (40) The total investment costs of the project amount to NOK 3 320 million (P85, 2021 NOK, undiscounted, see also table 3 above). The eligible investment costs, defined in accordance with point 97 of the Aviation Guidelines, are estimated to be NOK 3 297 million (P85, 2021 NOK, undiscounted).²³ The eligible investment costs served as the basis for calculating the project's funding gap.
- (41) The notified public funding contributes to covering the funding gap as calculated by the Norwegian authorities (see below table 4 and paragraph (46)), to the extent not covered by a third-party private contribution (see paragraph (53)). The aid will be in the form of direct grant and paid out annually from 2022 to 2026.
- (42) The Norwegian authorities have explained that the measure does not fund non-aeronautical activities of economic nature, estimated to amount to NOK 23 million (P85, 2021 NOK, undiscounted).²⁴
- (43) The Norwegian authorities have further explained that certain cost items could potentially be considered to be non-economic in nature. However, in the absence of a legal regime excluding undue discrimination between airports incurring such costs, the Norwegian authorities have included those costs in the eligible investment costs to the extent the costs are eligible under point 97 of the Aviation Guidelines.

²³ As regards the difference between the total costs and the total eligible costs, see paragraph (42).

²⁴ As explained by the Norwegian authorities, according to the current plans, such infrastructure costs (for instance, parking and public transport area) are to be funded by Avinor and potentially aided under Article 56 of the General Block Exemption Regulation Commission Regulation (EU) No 651/2014 of 17 June 2014 (OJ L 187, 26.6.2014, p. 1), as amended, referred to at point 1j of Annex XV to the EEA Agreement.

- (44) In the event that the project costs exceed the P85 level (see table 4 below), the Norwegian authorities have explained that Avinor will need to fund the additional investment needed to finalise the project.²⁵
- (45) The Norwegian authorities have calculated the capital cost funding gap of the project in line with point 99 of the Aviation Guidelines. The calculation took into account expected positive and negative cash flows, including investment costs, over the lifetime of the assets (40 years). The cash flows were discounted using an after-tax weighted average cost of capital (WACC) of 5.1% (nominal). That rate is Avinor's official cost of capital used in its investment projects, estimated by Oslo Economics in a report dated 11 February 2020.²⁶
- (46) When discounted to 2021, the investment project demonstrates a capital cost funding gap of NOK 3 005 million, with eligible investment cost of NOK 3 039 million. The aid will be paid out in annual instalments over the period 2022 to 2026 and amounts to NOK 2 888 989 000 in 2021 (discounted). On these bases, the aid intensity, in discounted terms, is 95%.

Table 4. Funding gap and eligible investment cost of the project (2021)

Item	Amount
Eligible investment cost (P85 - discounted)	3 038 989 000
Funding gap (NPV after tax)	3 004 730 000

- (47) As explained by the Norwegian authorities, Avinor will announce competitive tender procedures for the relevant works and services. This will further contribute to keeping the aid amount to the minimum necessary.
- (48) The Norwegian authorities also apply the Norwegian administrative rules for economic management in the Government. These rules require the Norwegian authorities to establish routines to avoid overcompensation and to put in place control mechanisms in the event that overcompensation occurs.²⁷

3.6 Beneficiary, aid granting authorities and national legal bases

- (49) The beneficiary of the measure is Avinor, a state-owned limited company.²⁸ Avinor owns, operates and develops a national network of airports for the civilian sector and joint air navigation services for the civilian and military sectors.
- (50) The aid is granted by Rana Municipality, in the amount of NOK 450 million, and the rest of the public funding is granted by the Norwegian Government, via the Ministry of Transport.
- (51) The legal basis of the aid from the Norwegian Government is the revised national budget proposition for 2021 published on 11 May 2021, adopted by the

²⁵ The aid amount from the Norwegian State will be adjusted on a yearly basis to reflect real inflation rate and real price and salary increase in the infrastructure/construction industry. As explained by the Norwegian authorities, these adjustments are justified as they are otherwise not projected in the cost estimates.

²⁶ Oslo Economics report: *Selskapsgjennomgang av Avinor*, 11 February 2020, chapter 7.5. Document No 1290876.

²⁷ [Reglement for økonomistyring i staten - Bestemmelser om økonomistyring i staten](#), adopted 12 December 2003 with amendments, last amendments 31 August 2021, section 6.3.5.

²⁸ More information about Avinor is available [here](#).

Parliament on 11 June 2021.²⁹ In addition, the Ministry of Transport issued a letter of assignment to Avinor on 25 August 2021.³⁰

- (52) The legal basis of the aid from Rana Municipality is the municipality's decision of 12 May 2020.³¹ The municipality's funding is further regulated in a three-part agreement between Avinor, PLU, and Rana Municipality.³²
- (53) The Norwegian authorities have also explained that, although not notified as aid, due to the private nature of that financing, Avinor will receive a contribution from local private undertakings in the Helgeland region amounting to NOK 150 million. The Norwegian authorities have confirmed that the local private contributions are free of any public support (including not being guaranteed by the State or the municipality).

3.7 Transparency and cumulation

- (54) The Norwegian authorities commit to observe and comply with the transparency requirements in section 8.2 of the Aviation Guidelines, as amended by the "Transparency communication",³³ and publish the aid award in the national transparency register.³⁴
- (55) The Norwegian authorities have confirmed and explained that the notified aid will not be cumulated with any other state aid, *de minimis* aid, or other forms of EEA financing, in line with points 158 and 159 of the Aviation Guidelines.

4 Presence of state aid

4.1 Introduction

- (56) 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."
- (57) The qualification of a measure as aid within the meaning of this provision requires the following cumulative conditions to be met: (i) the measure must be granted by the State or through State resources; (ii) it must confer an advantage on an undertaking; (iii) favour certain undertakings (selectivity); and (iv) threaten to distort competition and affect trade.

4.2 Economic activity and the notion of undertaking

- (58) According to settled case-law, it must first be established whether Avinor is an undertaking within the meaning of Article 61(1) of the EEA Agreement. The concept of an undertaking covers any entity engaged in an economic activity,

²⁹ See [Nokre saker om luftfart, veg, særskilde transporttiltak og jernbane](#) at footnote 4. See Meld. St. 2 (2020–2021) [Revidert nasjonalbudsjett 2021](#). See Innst. 648 S (2020–2021) [Nokre saker om luftfart, veg, særskilde transporttiltak og jernbane](#)

³⁰ Document No 1290868.

³¹ Rana municipality's [decision](#) of 12 May 2020 case 36/20, page 9.

³² Document No 1290866.

³³ ESA Decision No 302/14/COL of 16 July 2014 amending for the ninety-ninth time the procedural and substantive rules in the field of State aid by modifying certain State aid Guidelines, OJ L 15, 22.1.2015, p. 103–105, and EEA Supplement No 4, 22.1.2015, p. 1.

³⁴ <https://data.brreg.no/rofs/>

regardless of its legal status and the way in which it is financed³⁵ and that any activity consisting in offering goods and services on a given market is an economic activity.³⁶

- (59) The Court of Justice has confirmed that the operation of an airport, including the provision of airport services to airlines and to the various service providers within the airport, is an economic activity.³⁷ Furthermore, in the *Leipzig-Halle* judgment, it was confirmed that the construction of commercial airport infrastructure is also an economic activity in itself.³⁸ It is an entity's engagement in economic activities, regardless of its legal status or the way in which it is financed, that categorises it as an undertaking within the meaning of Article 61(1) of the EEA Agreement. As a consequence, the state aid rules of the EEA Agreement are capable of applying to any advantages granted by the State or through State resources to that undertaking.³⁹
- (60) The new airport will be operated on a commercial basis by Avinor, and thus Avinor will be carrying out economic activities, both by constructing the airport and by operating it. The infrastructure will be commercially exploitable, seeing that Avinor will be able to charge customers for its use. Accordingly, the entity exploiting the infrastructure constitutes an undertaking for the purposes of Article 61(1) of the EEA Agreement.
- (61) However, activities that normally fall under a State's responsibility in the exercise of its powers as a public authority are not of an economic nature and do not fall within the scope of the state aid rules.⁴⁰ Such activities may include, for example, security, air traffic control, police, customs, etc.⁴¹
- (62) In the case at hand, for some of the cost items relating to such activities it could be argued that they are of a non-economic nature. Nonetheless, paragraph 37 of the Aviation Guidelines stipulates, amongst others, that the public financing of such non-economic activities may not constitute state aid only if it does not lead to undue discrimination between airports.
- (63) However, as explained by the Norwegian authorities, it is not clear whether public funding is granted all civil airports to cover costs of non-economic nature. Accordingly, the Norwegian authorities do not argue that funding the project's costs of non-economic nature should be outside state aid rules and included all

³⁵ Judgment of 18 June 1998, *Commission v Italy*, C-35/96, EU:C:1998:303, paragraph 36; judgment of 23 April 1991, *Höfner and Elser*, C-41/90, EU:C:1991:161, paragraph 21; judgment of 16 November 1995, *FFSA and Others v Ministère de l'Agriculture and de la Pêche*, C-244/94, EU:C:1995:392, paragraph 14; judgment of 11 December 1997, *Job Centre*, C-55/96, EU:C:1997:603, paragraph 21.

³⁶ Judgment of 16 June 1987, *Commission v Italy*, C-118/85, EU:C:1987:283, paragraph 7; *Commission v Italy*, C-35/96, paragraph 36, at footnote 35.

³⁷ Judgment of 12 December 2000, *Aéroports de Paris v Commission*, T-128/98, EU:T:2000:290, confirmed by judgment in Case C-82/01, EU:C:2002:617.

³⁸ Judgment of 19 December 2012, *Mitteldeutsche Flughafen and Flughafen Leipzig-Halle v Commission*, C-288/11 P, EU:C:2012:821; see also judgment of 24 October 2002, *Aéroports de Paris v Commission*, C-82/01 P, EU:C:2002:617, and judgment of 17 December 2008, *Ryanair v Commission*, T-196/04, EU:T:2008:585.

³⁹ Judgment of 17 February 1993, *Poucet v AGV and Pistre v Cancave*, C-159/91 and C-160/91, EU:C:1993:63.

⁴⁰ *Commission v Italy*, C-118/85, paragraphs 7 and 8, at footnote 36, and judgment of 4 May 1988, *Bodson/Pompes funèbres des régions libérées*, C-30/87, EU:C:1988:225, paragraph 18.

⁴¹ See, for instance, point 35 of the Aviation Guidelines, at footnote 9.

these costs in the investment costs to the extent that the costs are eligible under point 97 of the Aviation Guidelines (see paragraph (43)). Consequently, the measure should, in full, be considered to relate to economic activities that fall under the state aid rules.

4.3 Presence of State resources

- (64) The measure must be granted by the State or through State resources.
- (65) The measure is granted by the State, through the Ministry of Transport, and Rana municipality, financed from their general budgets. The measure was decided to be funded and granted to the beneficiary by the Norwegian Parliament and the Ministry of Transport, and by Rana Municipality (see section 3.6 above). The funding is therefore imputable to the State and involves State resources.
- (66) As regards the contribution from local undertakings amounting to NOK 150 million (see paragraph (53)), ESA agrees with the Norwegian authorities that these funds do not qualify as state resources, and accordingly, do not qualify as state aid within the meaning of Article 61(1) of the EEA Agreement.

4.4 Conferring a selective advantage on an undertaking

- (67) The measure must confer a selective advantage on Avinor that relieves it of charges that are normally borne by its budget. The measure must also be selective in that it favours “certain undertakings or the production of certain goods”.
- (68) The measure reduces the investment costs that an airport owner/operator as an undertaking would normally have to bear if it wanted to increase its operations in the area. The measure therefore confers an economic advantage on Avinor.
- (69) The measure is granted to a single undertaking, namely Avinor. In the case of individual aid measures, the identification of the economic advantage is, in principle, sufficient to support the presumption that it is selective.⁴²

4.5 Effect on trade and distortion of competition

- (70) The measure must be liable to distort competition and to affect trade between the Contracting Parties to the EEA Agreement.
- (71) Competition takes place between airports and between airport operators that may compete between themselves to be entrusted with the management of a given airport. The new airport will, to some extent, compete with other airports in Norway and the EU (in particular, Sweden). The measure will strengthen Avinor’s position as an airport operator and the airport’s position in and of itself against other airports. As a consequence, the measure is liable to distort competition and has an effect on trade.

4.6 Individual aid

- (72) ESA notes that the aid is not granted on the basis of a scheme.⁴³ The aid is therefore individual aid.

⁴² See judgment of 30 June 2016, *Kingdom of Belgium v Commission*, C-270/15 P, EU:C:2016:489, paragraph 49; judgment of 11 December 2019, *Mytilinaios Anonymos Etairia – Omilos Epicheiriseon v European Commission*, C-332/18 P, EU:C:2019:1065, paragraph 67.

4.7 Conclusion

- (73) The notified measure constitutes state aid within the meaning of Article 61(1) of the EEA Agreement.

5 Lawfulness of the aid

- (74) Pursuant to Article 1(3) of Part I of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice ("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."
- (75) The Norwegian authorities have notified the measure and have yet to let it enter into force. They have therefore complied with the obligations under Article 1(3) of Part I of Protocol 3.

6 Compatibility of the aid

6.1 Introduction

- (76) In derogation from the general prohibition of state aid laid down in Article 61(1) of the EEA Agreement, aid may be declared compatible if it can benefit from one of the derogations enumerated in the Agreement. The Norwegian authorities have invoked Article 61(3)(c) of the EEA Agreement as the basis for the assessment of the compatibility of the aid measure.
- (77) Article 61(3)(c) of the EEA Agreement provides that ESA may declare compatible "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". Therefore, in order to declare the aid compatible, first, the aid must be intended to facilitate the development of certain economic activities or of certain economic areas and, second, the aid must not adversely affect trading conditions to an extent contrary to the common interest.⁴⁴
- (78) Under the first condition, ESA examines how the aid facilitates the development of certain economic activities or areas. Under the second condition, ESA weighs up the positive effects of the aid for the development of said activities or areas and the negative effects of the aid in terms of distortions of competition and adverse effects on trade.
- (79) For cases dealing with aid to airports, these conditions are normally outlined in the Aviation Guidelines. ESA considers the guidelines to be applicable to the case at hand, as the measure is directed to the construction of an airport and will therefore assess the compatibility of the measure in light of the conditions laid down in the Aviation Guidelines.

⁴³ See Article 1(e) of Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice ("Protocol 3").

⁴⁴ Judgment of 22 September 2020, *Austria v Commission (Hinkley Point C)*, C-594/18 P, EU:C:2020:742, paragraphs 18 to 20.

6.2 Facilitation of development of certain economic activities or areas

6.2.1 *Economic activities or areas supported*

- (80) Under Article 61(3)(c) of the EEA Agreement, in order to be considered compatible, the measure must contribute to the development of certain economic activities or areas.
- (81) The measure is aimed at facilitating the construction of the new airport, and thereby supporting the development of the economic activity consisting of the provision of airport management services. Among others, the new airport can serve both domestic and international flights and thereby contribute to the region's increased mobility and connectivity.
- (82) In view of the above, ESA considers that the measure constitutes aid to facilitate the development of both certain economic activities and certain economic areas, as required by Article 61(3)(c) of the EEA Agreement and in line with the recognised objectives set out in the Aviation Guidelines.

6.2.2 *Incentive effect*

- (83) State aid is only compatible with the functioning of the EEA Agreement if it has an incentive effect and so effectively facilitates the development of certain economic activities or areas. To establish whether the measure has an incentive effect, it must be demonstrated that it changes the behaviour of the undertaking concerned in such a way that it engages in an activity which it would not carry out without the aid or which it would carry out only in a restricted or different manner.
- (84) According to the formal incentive effect condition of point 93 of the Aviation Guidelines, works on an individual investment can only start after an application has been submitted to the granting authority.
- (85) Point 94 of the Aviation Guidelines specifies that an investment project at an airport may be economically attractive in its own right. Therefore, it needs to be verified that the investment would not have been undertaken or would not have been undertaken to the same extent without the state aid. If this is confirmed, ESA will consider that the aid measure has an incentive effect.
- (86) Points 95 and 96 of the Aviation Guidelines stipulate that "where no specific counterfactual is known, the incentive effect can be assumed when there is a capital cost funding gap, that is to say, when on the basis of an *ex ante* business plan, it can be shown that there is a difference between the positive and negative cash flows (including investment costs into fixed capital assets) over the lifetime of the investment in net present value terms."
- (87) The Norwegian authorities have confirmed that the aid application was submitted to the granting authorities by means of a letter dated 27 January 2021,⁴⁵ prior to which the works had not started.
- (88) Furthermore, as mentioned in section 3.1.23.1.2 above, Avinor was commissioned by the Ministry of Transport in 2014 to conduct a preliminary project and licence application for a new airport in Mo i Rana. This work was concluded in 2015, revealing that the construction of a new airport in Mo i Rana would not be profitable.

⁴⁵ Document No 1290858. Updated by letter dated 9 August 2021, Document No 1290854.

- (89) The Norwegian authorities have also provided the project's *ex ante* business plan and calculations related thereto showing a capital cost funding gap of NOK 3 005 million over the lifetime of the investment (see section 3.5). Consequently, the *ex ante* business plan demonstrates that the project is not financially profitable without the aid and is not economically attractive in its own right.
- (90) The new airport has attracted a contribution from private undertakings (see paragraphs (53)). However, due to the high funding gap, it seems highly unlikely that the new airport would be able to obtain private financing to cover the entire cost of the project.⁴⁶ Additionally, the private contribution is conditional upon aid being granted to the project from the Norwegian authorities.
- (91) Against this background, the counterfactual scenario would be a situation in which the project would not be carried out, i.e. that there is no specific counterfactual scenario.
- (92) In view of the above, ESA considers that in the absence of the notified measure, Avinor would not have carried out the project. Thus, the project would not have taken place, and consequently the development of the economic activities and areas would not have been facilitated. Therefore, the aid measure has an incentive effect.

6.2.3 Compliance with relevant EEA law

- (93) If a state aid measure, the conditions attached to it, including its financing method, when the financing method forms an integral part of the state aid measure, or the activity it finances entail a violation of relevant EEA law, the aid cannot be declared compatible with the functioning of the EEA Agreement.⁴⁷
- (94) ESA has no indications that the measure, the conditions attached to it, or the activity it finances, entail a violation of relevant EEA law.

6.3 Weighing the positive effects of the aid with any the negative effects in terms of distortions of competition and adverse effects on trade

6.3.1 Introduction

- (95) ESA has to not only identify positive effects of the planned aid for the development of the economic activities and areas, but also possible negative effects in terms of distortions of competition and adverse effects on trade. These positive and negative effects must then be weighed up.
- (96) The aid has an effect on the provision of airport management services. This is the market the European Commission has considered to be affected in its recent decisional practice concerning investment aid to airports.⁴⁸

⁴⁶ The NOK 150 million have been included in the net present value analysis as an income to the project, and the stated funding gap therefore incorporates this benefit.

⁴⁷ Judgment of 19 September 2000, *Germany v Commission*, C-156/98, EU:C:2000:467, paragraph 78; judgment of 22 December 2008, *Régie Networks*, C-333/07, EU:C:2008:764, paragraphs 94 to 116; judgment of 22 September 2020, *Austria v Commission (Hinkley Point C)*, paragraph 44, cited above in footnote 44; judgment of 14 October 2010, *Nuova Agricast*, C-390/06, EU:C:2008:224, paragraphs 51 to 51.

⁴⁸ Commission Decision in [SA.58933](#) (Hungary), Investment aid for developments ensuring the safe operation of Debrecen International Airport, OJ C 60, 4.2.2022, page 1, paragraph 114.

6.3.2 *Positive effects of the aid*

- (97) The measure contributes to regional development of the Helgeland region and to the development of commercial air transport services in the area, which increases the mobility of EEA citizens and connectivity of the regions. These are objectives of common interest in accordance with point 84 of the Aviation Guidelines, and form part of the fundamental needs of a modern society.
- (98) The new airport will facilitate economic development of the Helgeland region by increasing its attractiveness for businesses and tourists. Helgeland is an industrial region and the largest export region in Northern Norway (see section 3.1.4). The majority of the export industry is located within the catchment area of the new airport. Approximately 70% of the export markets for the Helgeland region are located within the EEA and several of the undertakings in the region are owned by undertakings and persons established in other EEA States.
- (99) The region is currently experiencing an increase in foreign investments. In recent years, two data centres have been established in the region and FREYR, an undertaking in the battery cell industry, has decided to build a 43 GWh battery cell production plant in Mo i Rana by 2025 (see paragraph (15)). Its production plant is expected to employ 1 500 persons, whilst the construction of the plant is expected to create an additional 2 700 jobs. The establishment of new industry in the region will increase demand for EEA labour. However, the limited connectivity of the region constitutes an obstacle to further regional development.
- (100) Further, as explained in paragraph (18), Avinor's strategy for Northern Norway shows that the region has great potential for tourism. A key factor in developing tourism in the region is the availability of flights at affordable prices. The tourism industry also faces challenges, in particular during winter, due to limited connectivity. Generally, the lack of flight capacity and the expensive tickets limit further growth.
- (101) In conclusion, the measure ensures that the Helgeland region will have an airport capable of serving both domestic and international flights, contributing to the mobility of EEA citizens and connectivity of the regions and facilitate regional development.

6.3.3 *Limited negative effects of the aid*

6.3.3.1 Introduction

- (102) Article 61(3)(c) of the EEA Agreement requires an assessment of any negative effects on competition and on trade. The aid must not adversely affect trading conditions to an extent contrary to the common interest. In this respect, the Aviation Guidelines provide guidance on assessing whether the aid may be declared compatible by setting out a number of cumulative criteria, which ESA takes into account in its assessment.
- (103) In particular, ESA will assess whether the measure has limited negative effects by ensuring that: the intervention is necessary; the aid is appropriate as a policy instrument; the aid is proportionate; the undue negative effects are avoided; and the rules on cumulation and transparency are respected.

6.3.3.2 Necessity of the aid

- (104) A state aid measure is necessary if it is targeted towards situations where aid can bring about a material improvement that the market itself cannot deliver.
- (105) According to point 87 of the Aviation Guidelines, it is necessary to first identify the problem to be addressed in order to assess whether state aid is effective in achieving the sought-after objective.
- (106) ESA considers that the existence of the large funding gap in relation to the project demonstrates that the investment could not be completed using only resources provided by the airport operator.
- (107) In the absence of the measure, the project would not be financially sustainable and, accordingly, would not generate sufficient profits as could be expected from the point of view of a private investor.
- (108) Furthermore, the new airport will be a small airport in terms of passenger traffic, estimated to stay well below 1 000 000 passengers (see table 2). In accordance with points 89 (a) and (b) of the Aviation Guidelines, airports with up to 200 000 passengers per annum, and airports with annual passenger traffic of between 200 000 and 1 000 000, are usually not able to cover their capital costs to a large extent. As presented in paragraph (46) above, the project has a large funding gap and the investment could not be realised without state aid.
- (109) In conclusion, there is a necessity for state intervention.

6.3.3.3 Appropriateness of the aid

- (110) EEA EFTA States can make different choices with regard to policy instruments and state aid control does not impose a single way to intervene in the economy. However, state aid under Article 61(1) of the EEA Agreement can only be justified by the appropriateness of a particular instrument to contribute to the development of the targeted economic activities or areas.
- (111) ESA normally considers that a measure is an appropriate instrument where the EEA EFTA State can demonstrate that alternative policy options would not be equally suitable to contribute to the development of economic activities or areas and where it can demonstrate that alternative, less distortive, aid instruments would not deliver equally efficient outcomes. This is in line with point 90 of the Aviation Guidelines.
- (112) The Norwegian authorities have demonstrated that a direct grant is an appropriate aid instrument to achieve the objective of the investment (see paragraphs (45) and (46)). Other less distortive aid instruments, such as a loan at reduced interest rates, would not be a viable alternative to a direct grant in view of the large funding gap of the project.
- (113) In view of the above, ESA considers that the measure is an appropriate instrument to facilitate the development of the aforementioned economic area and activity.

6.3.3.4 Proportionality of the aid

- (114) State aid is proportionate if the aid amount is limited to the minimum needed to incentivise the additional investment or activity in the area concerned.

- (115) Point 97 of the Aviation Guidelines sets out the maximum permissible amount of state aid expressed as a percentage of eligible costs (maximum aid intensity) and that the eligible costs equal costs relating to the investments in airport infrastructure, including planning costs, ground handling infrastructure and airport equipment, while investment costs relating to non-aeronautical activities⁴⁹ are ineligible.
- (116) ESA notes that the measure covers only eligible costs as the costs solely relate to airport infrastructure (see section 3.5). The costs that are eligible are those related to the investments in aeronautical infrastructure. The cost of non-aeronautical infrastructure of economic nature are not included in eligible costs and will be separately funded (see paragraph (42)).

The project's funding gap

- (117) Furthermore, as set out in point 99 of the Aviation Guidelines, investment aid to airports must be limited to the extra costs (net of extra revenues) which result from undertaking the aided project/activity rather than the alternative project/activity that the beneficiary would have undertaken in the counterfactual scenario, that is to say, if it had not received the aid. Where no specific counterfactual is known, in order to be proportionate, the amount of the aid should not exceed the funding gap of the investment project (so-called "capital cost funding gap"), which is determined on the basis of an *ex ante* business plan as the net present value of the difference between the positive and negative cash flows (including investment costs) over the lifetime of the investment. For investment aid, the *ex ante* business plan should cover the period of the economic utilisation of the asset.
- (118) In the case at hand, in the absence of aid, the construction of the new airport would not be undertaken (see paragraphs (86) to (92)).
- (119) As no specific counterfactual is known, the Norwegian authorities have submitted an *ex ante* business plan and calculations related thereto as the basis for estimating the project's funding gap. The business plan takes into account the negative and positive cash-flows to be generated by the project over its presumed 40-year lifetime, with the terminal value amount to zero after 40 years. The cashflows were discounted to their 2021 present value using a nominal discount rate (WACC) of 5.1%.
- (120) As explained by the Norwegian authorities, the discount rate is the result of WACC calculations performed by Oslo Economics, and it is Avinor's required rate of return on similar investments (see paragraph (45)). The WACC can therefore be deemed acceptable for calculating the funding gap of the project in line with paragraphs 25(19) and 99 of the Aviation Guidelines.
- (121) The discounted capital cost funding gap, calculated on the basis of the business plan, amounts to NOK 3 005 million. The aid granted to the project does not go beyond the funding gap, see section 3.5.

The aid intensity

⁴⁹ Pursuant to point 25(20) of the Aviation Guidelines, "non-aeronautical activities" mean commercial services to airlines or other users of the airport, such as ancillary services to passengers, freight forwarders or other service providers, renting out of offices and shops, car parking and hotels.

- (122) Under point 101 of the Aviation Guidelines, the maximum permissible aid intensity for airports with less than 1 million passengers per annum is 75% of the eligible investment costs. According to footnote 86 of the Aviation Guidelines, the number of passengers per annum is actual average annual passenger traffic during the 2 financial years preceding that in which the aid is notified.
- (123) According to the information provided by the Norwegian authorities, Røssvoll airport had approximately 100 000 passengers annually and consequently had less than 1 million passengers in the financial years of 2020 and 2021 (paragraph (22)). The new airport is estimated to lead to an approximate number of 374 000 passengers in the high scenario for the year 2064 (table 2).
- (124) Furthermore, point 102 of the Aviation Guidelines states that the maximum aid intensities for investment aid to finance airport infrastructure located in remote regions may be increased by up to 20%, irrespective of the size of the airport. Therefore, the aid intensity for airports in remote regions can be up to 95%.
- (125) According to point 25(26) of the Aviation Guidelines, remote regions are regions that are sparsely populated. According to point 25(27), a sparsely populated region means NUTS 2 regions with less than 8 inhabitants per km² or NUTS 3 regions with less than 12.5 inhabitants per km².
- (126) Nordland is a NUTS 3 region with a population density of approximately 6.7 inhabitants per km² (see paragraph (10)). Helgeland is located in Nordland county and therefore constitutes as a remote region. Consequently, an aid intensity of 95% of eligible investment costs may be justified under the Aviation Guidelines.
- (127) Moreover, point 103 of the Aviation Guidelines acknowledges that “investment projects at certain airports with average traffic below 1 million passengers per annum located in peripheral regions of the EEA may result in a funding gap which is higher than the maximum permissible aid intensities. Subject to a case-by-case assessment and depending on the particular characteristics of each airport, investment project and the region served, intensity exceeding 75% may be justified in exceptional circumstances for airports with traffic volume below 1 million passengers per annum.”
- (128) ESA considers that the new airport is located in a peripheral region of the EEA within the meaning of point 103 of the Aviation Guidelines, due to it being geographically remote for the following reasons:
- (a) The Helgeland region is located in the second northernmost county in Norway, which is near the edge of the EEA. Moreover, *litra c* of point 64a of Annex XIII to the EEA Agreement⁵⁰ sets out an adaptation adding the text “as well as regional airports in Iceland and the four northernmost counties in Norway” at the end of the second subparagraph of Article 16(9) of Regulation 1008/2008.⁵¹ Article 16(9) concerns airports serving an outermost region. The supplement to the article implicitly categorises the

⁵⁰ See [Annex XIII to the EEA Agreement](#).

⁵¹ [Regulation \(EC\) No 1008/2008](#) of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community (OJ L293, 31.10.2008, p.3-20) incorporated into Annex XIII (Transport) to the EEA Agreement by [Decision of the EEA Joint Committee No 90/2011](#) (OJ L262, 6.10.2011, p.62, and EEA Supplement No 54, 6.10.2011, p.78).

four northernmost counties in Norway as outermost regions. Nordland is the second northernmost county in Norway. Thus, Helgeland is located in an outermost region of the EEA.

- (b) The new airport will be the only airport located in the Helgeland region and within its catchment area that is capable of serving larger airplanes, such as Boeing 737, that are used for both domestic and international flights. The new airport will as such allow the region to become part of the national network of airports that operates the most commonly used airplanes. Not being able to serve airplanes used in the national network and to destinations in Europe has a negative impact on the region's connectivity and hampers economic development and trade, particularly as the region is an important industrial centre.

Furthermore, the closest airport that can serve larger airplanes is located in Bodø, which is approximately 224 km away, which is equal to 3 hours' travel time by car depending on traffic and weather conditions. The weather conditions significantly impact on driving conditions and thus the driving time. The airport is thereby not a convenient alternative for air passengers.

Other regional airports located around the new airport are Mosjøen (105 km) Sandnessjøen (131 km) and Hemavan-Tärnaby (90 km). As a result, residents of the Helgeland region have no other satisfactory alternative to the new airport for air mobility.

- (c) There is a lack of alternative transportation modes in the region. There is no high-speed train network in Helgeland, which further hampers citizens' mobility. As a result, rail transport does not constitute a satisfactory alternative to air transport for residents in the Helgeland region.

(129) Because of the combination of all the above reasons, ESA considers that the Helgeland region, where the new airport will be located, is a "peripheral region" within the meaning of point 103 of the Aviation Guidelines.

(130) Due to the peripheral location of the new airport, the airport will play a particularly key role in ensuring regional connectivity. However, the peripheral location might also have a negative impact on its profitability and viability and thus its ability to finance investment costs.

(131) ESA considers that the new airport will play an important role in terms of regional development and connectivity, albeit the remoteness might have a negative impact on the profitability and viability of the operations, and therefore its ability to cover capital expenditures.⁵² ESA considers that, given these particular circumstances and the characteristics of the new airport, the measure is addressing "exceptional circumstances" within the meaning of point 103 of the Aviation Guidelines.

(132) Based on the above, ESA points out the following particular characteristics of the new airport:

⁵² Aviation Guidelines, points 72 and 103.

- (a) It is estimated to have annually approximately 240 000 to 374 000 passengers during its lifetime. The new airport is therefore estimated to have a considerably lower number of passengers than the threshold of 1 million passengers per year that is a precondition for applying the exception set out in point 103 of the Aviation Guidelines.
- (b) The new airport is located in the Helgeland region, in the second northernmost county in Norway. It will play a significant role in the connectivity of the inhabitants, businesses and tourists to and from the region.
- (c) The new airport is aiming to bring similar connectivity and mobility opportunities to the inhabitants of the Helgeland region, of the southern Nordland county, as to the northern parts of Nordland county and southern parts of Troms and Finnmark county.

(133) Consequently, it is the combination of all the above considerations that constitutes “exceptional circumstances” within the meaning of point 103 of the Aviation Guidelines.

(134) ESA considers that the high aid intensity of 95% is justified in this case, both due to the new airport being located in a remote region that allows aid intensity up to 95% and the exceptional circumstances allowing intensity exceeding 75%.⁵³

(135) ESA also takes note of the tender processes and mechanisms used by the Norwegian authorities to keep the costs of the project and aid amounts to the minimum necessary (see paragraph (47)).

(136) In view of the above, ESA concludes that the measure is proportionate.

6.3.3.5 Avoidance of undue negative effects on competition and trade

(137) The negative effects of the aid must be sufficiently limited, so that the overall balance of the measure is positive. According to points 8, 85, 86 and 106 of the Aviation Guidelines, the duplication of unprofitable airports or the creation of additional unused capacity in the catchment area of existing infrastructure might have distortive effects, especially when airports do not operate at or near full capacity. Investments and related infrastructure should have medium-term prospects for use.

(138) ESA notes that in recent case practice concerning investment aid to airports, the Commission also relies on these principles in assessing avoidance of undue negative effects on competition and trade.⁵⁴

(139) According to point 25(12) of the Aviation Guidelines, the “catchment area” is defined as “a geographic market boundary that is normally set at around 100 kilometres or around 60 minutes travelling time by car, bus, train or high-speed train; however, the catchment area of a given airport may be different and needs to take into account the specificities of each particular airport. The size and shape

⁵³ As confirmed by the Norwegian authorities, the aid intensity would remain the same in the event of a reduction of the actual costs, and also in adjustments to the investment costs to reflect real inflation rate and real price and salary increase (see paragraph (44) and footnote 25).

⁵⁴ Commission Decision in SA.58933, paragraph 146, see footnote 48 above.

of the catchment area varies from airport to airport, and depends on various characteristics of the airport, including its business model, location and the destinations it serves”.

- (140) Based on the information submitted by the Norwegian authorities, ESA considers that the measure will not lead to the creation of any unused capacity, nor to any duplication of airports. The studies and *ex ante* business plan submitted by the Norwegian authorities sufficiently demonstrate the medium-term prospects for use of the new airport.
- (141) Furthermore, airport infrastructure in the vicinity of the new airport is described in section 3.2 above. None of the closest three airports can serve larger airplanes, such as Boeing 737, which is normally used for both domestic and international routes, due to the size of their respective runways. The new airport will have a runway of between 2 200 and 2 400 metres and thus will be able to serve larger airplanes.
- (142) The business plans of these smaller airports thereby differ from that of the new airport. Additionally, these smaller airports are located 90 to 131 km away from the new airport, with travelling times of around 1h 20 min to 1h 50 min. Travelling by road is heavily impacted by the harsh weather conditions in the region. Further, no high-speed train services are currently, or in the foreseeable future, available (see paragraph (13)).
- (143) As stated in paragraph (24), both Mosjøen and Sandnessjøen airports have PSO routes to Bodø and Trondheim and Sandnessjøen also has a route to Oslo three times a week during June to August. The Hemavan-Tärnaby airport in Sweden offers routes to Stockholm via Vilhelmina. The new airport will facilitate a permanent direct route to Oslo, Norway’s hub for traffic to and from the EEA, and also to other destinations. ESA also notes that the Storuman Municipality, where the Hemavan-Tärnaby airport is located, has shown its support to the project and considers that it brings cross border regional benefits.
- (144) The airport closest to the designated area of the new airport, which has the ability to serve larger airplanes, is located in Bodø. The airport in Bodø is located approximately 217 km away from the new airport, which is equal to 3 hours’ travel time by car, depending on traffic and weather conditions.
- (145) ESA also notes that the Commission’s decisional practice has also recognised that the size of the country, the low population density and the often difficult driving conditions also mitigate the risk for duplication in the rare cases where two airports benefitting from the aid may have been located closer than the indicative distances the Aviation Guidelines.⁵⁵
- (146) Based on the above, ESA concludes that due to the characteristics of the smaller airports and due to the distance to Bodø airport, there are no airports that can be classified as within the catchment area of the new airport. The fact that there is no alternative airport in the catchment area of the new airport amplifies the need for a satisfactory infrastructure to increase the connectivity of the area.

⁵⁵ Commission Decision in [SA.18857](#) (Sweden), Alleged aid to Västerås Airport and Ryanair Ltd, OJ L 207, 4.8.2015, pages 40–72, paragraph 201.

- (147) Therefore, ESA considers that aid for the construction of the new airport will not lead to the duplication of (unprofitable) airports or create additional unused capacity in the same catchment area, and that it will not have a negative impact on the competitive position of other airports. The measure is thus in line with the requirements of points 8, 85, 86 and 106 of the Aviation Guidelines.
- (148) ESA also notes that, as confirmed by the Norwegian authorities and in line with point 108 of the Aviation Guidelines, the new airport will be open to all potential users and is not dedicated to one specific user.
- (149) On the basis of the above, ESA concludes that the measure will not have undue negative effects on competition and trade.

6.3.3.6 Cumulation of aid and transparency

- (150) Pursuant to point 159 of the Aviation Guidelines, aid authorised under the Aviation Guidelines cannot be combined with other state aid, *de minimis* aid or other forms of EEA financing, if such a combination results in aid intensity higher than the what is laid down therein.
- (151) The Norwegian authorities have confirmed that the measure will not be cumulated with other state aid, *de minimis* aid, or other forms of EEA financing, in line with point 159 of the Aviation Guidelines (see paragraph (55)).
- (152) Further, the Norwegian authorities have confirmed compliance with section 8.2 of the Aviation Guidelines, as amended, as regards transparency of the measure, and the aid award will be published in the national transparency register (see paragraph (54)). ESA therefore considers that the measure fulfils the transparency requirements set out in section 8.2 of the Aviation Guidelines.

6.3.3.7 Conclusion on limited negative effects

- (153) In light of the above arguments, ESA concludes that any negative effects of the measure on the airport management market are limited.

6.3.4 *Balancing positive and negative effects of the aid*

- (154) For the aid to be compatible with the functioning of the EEA Agreement, the limited negative effects of the aid measure, in terms of distortion of competition and adverse impact on trade between Contracting Parties, must be outweighed by positive effects, in terms of contribution to the facilitation of the development of economic activities or areas. It must be verified that the aid does not adversely affect trading conditions to an extent contrary to the common interest.
- (155) It is apparent from the above that the measure will have positive effects on regional development of the Helgeland region and on the development of commercial air transport services in the area. The measure will increase the mobility of EEA citizens and connectivity of the regions (see section 6.2.1 and 6.3.2). The measure also has an incentive effect (see section 6.2.2).
- (156) At the same time, the measure's design minimises the potential distortion of competition arising from it. In light of different business models and functionalities, potential negative effects on other airports are limited in principle (see section 6.3.3.5). As also shown above, the measure is necessary, appropriate, and proportionate (see sections 6.3.3.2, 6.3.3.3 and 6.3.3.4, respectively). ESA

considers that the negative effects on competition, to the extent they exist, are limited.

- (157) ESA concludes that the overall impact on competition is positive. The positive impact of the measure in developing the economic activity of the region and enabling connectivity outweighs any potential negative effects on competition and trade. On balance, the measure is in line with the objectives of Article 61(3)(c) of the EEA Agreement as it facilitates the development of airport activities and the development of the area of the new airport and, as such, the aid does not adversely affect competition to an extent contrary to the common interest.

7 Conclusion

- (158) On the basis of the foregoing assessment, ESA considers that the measure constitutes state aid with the meaning of Article 61(1) of the EEA Agreement. Since ESA has no doubts that the aid is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(c), it has no objections to its implementation.
- (159) If this letter contains confidential information which should not be disclosed to third parties, please inform ESA **by 15 July**, identifying the confidential elements and the reasons why the information is considered to be confidential. In doing so, please consult ESA's Guidelines on Professional Secrecy in State Aid Decisions.⁵⁶ If ESA does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter on ESA's website: <http://www.eftasurv.int/state-aid/state-aid-register/>.

For the EFTA Surveillance Authority,

Arne Røksund
President
Responsible College Member

Stefan Barriga
College Member

Árni Páll Árnason
College Member

For Melpo-Menie Joséphidès
Countersigning as Director,
Legal and Executive Affairs

This document has been electronically authenticated by Arne Roeksund, Catherine Howdle.

⁵⁶ [OJ L 154, 8.6.2006, p. 27](#) and EEA Supplement No 29, 8.6.2006, p. 1.