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Ministry of Industries
Skúlagata 4
101 Reykjavík
Iceland

Subject: The production grant scheme for private news and news-related media services in Iceland 2026-2031

1 Summary

- (1) The EFTA Surveillance Authority (“ESA”) wishes to inform Iceland that, having assessed the scheme for production grants for private news and news-related services in Iceland 2026-2031 (“the revised scheme” or “the measure”), it considers that it constitutes State aid within the meaning of Article 61(1) of the EEA Agreement and decides not to raise objections¹ to the measure, 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 Icelandic authorities notified the measure on 19 June 2026.²

3 Description of the measure

3.1 Background

- (3) On 14 September 2021, ESA approved by Decision No 206/21/COL (“the initial decision”) an Icelandic grant scheme for news and current affairs media (“the initial scheme”).³ The aim of the initial scheme was to strengthen the editorial capacity of private media in order to support news services, foster democratic debate and strengthen the position of the Icelandic language. The initial scheme was in force until 31 December 2022. The scheme was renewed twice, subject to certain amendments, first until 1 January 2025, as approved by ESA Decision No 125/23/COL (“the first renewal decision”),⁴ and then until 31 December 2025, as approved by ESA Decision No 193/25/COL (“the second renewal decision”),⁵ giving rise to the scheme in its current form (“the existing scheme”). The Icelandic authorities plan to renew the existing scheme for an additional period, until 1 January 2031, with certain amendments as described below. In particular, in

¹ Reference is made to Article 4(3) 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.

² Document Nos 1614681, 1614683 and 1614685.

³ ESA [Decision No 206/21/COL](#), *production grant scheme for private media outlets*.

⁴ ESA [Decision No 125/23/COL](#), *renewal of and amendments to the production grant scheme for private news and current affairs media*.

⁵ ESA [Decision No 193/25/COL](#), *renewal of and amendments to the production grant scheme for private news and current affairs media*.

addition to the existing general subsidies, the Icelandic authorities plan to introduce an additional aid category of supplementary subsidies for media service providers that offer continuous news services, thereby ensuring public access to reliable, daily nationwide news coverage. Accordingly, the revised scheme consists of the following two categories of aid:

- general subsidies for eligible media fulfilling the baseline conditions (“the general subsidies”); and
 - supplementary subsidies for media providing nationwide public-interest news services (“the supplementary subsidies”).
- (4) According to the Icelandic authorities, the dissemination of news plays an essential democratic and cultural role in Icelandic society. The Icelandic authorities consider that a strong private media news sector is central in this regard. According to the World Press Freedom Index 2026, published by Reporters Without Borders, Iceland ranks 12th globally in press freedom. This rank, although high if viewed on a global scale, remains noticeably below Iceland’s Nordic neighbours, all of which rank within the top six.⁶ Reporters Without Borders notes that the small size of the Icelandic market weakens media independence and increases susceptibility to political and economic pressures.⁷
- (5) According to the Icelandic authorities, the Icelandic population of 395 050 inhabitants does not provide a sufficient market basis to sustain economically viable news media.⁸ Further, the past years have brought additional challenges to the operating conditions of private news services, notably through competitive pressure from global platforms and changing consumer behaviour. According to Hagstofa Íslands, the centre for official statistics in Iceland (“Hagstofa Íslands”), the competitive pressure affects the Icelandic media sector as a whole, which has experienced a decline in advertising revenue since 2010.⁹ This decline can largely be attributed to an outflow of advertising revenue to foreign media, according to Hagstofa Íslands.¹⁰ Changing consumer behaviour is apparent e.g. from the fact that three out of four Icelanders use foreign social media platforms to access domestic news, according to the Icelandic authorities, and from the fact that only 15% of Icelanders report being willing to pay subscription fees for news services.¹¹
- (6) Additionally, in the current media landscape, Icelandic print newspapers receive a smaller portion of the total revenue of the media sector than in the past, with a larger portion of that revenue now flowing to other channels, such as online media and

⁶ Reporters Without Borders, World Press Freedom Index 2026. Available online [here](#).

⁷ Reporters Without Borders, World Press Freedom Index 2026, country fact-file for Iceland, available online [here](#).

⁸ Document No 1614681.

⁹ Hagstofa Íslands, press release of 15 April 2026. Available online [here](#). Total media revenue from advertising decreased by 8% from 2010 to 2024 and by 36% from 2016 (when it was at its highest) to 2024. However, increased user revenue has compensated for the losses, and total media revenue grew by 4% from 2010 to 2024. The Icelandic authorities have confirmed that these are the most recent available statistics.

¹⁰ Ibid.

¹¹ Document No 1614681. Survey conducted by the Icelandic market research company Maskína, 21 March 2024, commissioned by the Icelandic Ministry of Culture, Innovation and Higher Education. The proportion of those who pay for news services is highest in Norway, at 42%, according to the Reuters Institute’s Digital News Report 2025. Available online [here](#).

television. In 2010, daily and weekly print newspapers accounted for 27% of total media revenue; by 2024, this figure had decreased to 12%.¹²

- (7) Together, these factors have led to a significant reduction in the revenues for print news media. From 2010 to 2024, daily and weekly print news media saw a 35% decline in revenues from advertising, and a 28% decline in user revenue.¹³
- (8) Consequently, print news media are facing significant financial difficulties, according to the Icelandic authorities. This is illustrated by the fact that in 2023, Fréttablaðið, one of only two daily newspapers in Iceland, went bankrupt and exited the market, leaving Morgunblaðið as the only print daily newspaper, according to the Icelandic authorities.¹⁴
- (9) While print newspapers and other magazines have faced the most significant reduction in revenues in the past years (see paragraph (7)), private media service providers operating through other formats, like audio or audiovisual media, are also facing difficulties. As stated in a 2018 report prepared for the Icelandic Minister for Education and Culture (see paragraph (12) below), most of the media service providers assessed in the report were operating with losses during the period of 2014 to 2016.¹⁵ While the Icelandic authorities were not able to provide updated statistics on this point, the available statistics do show that total media revenue has decreased in the period between 2016 and 2024, suggesting the existence of continued difficulties faced by private media service providers in general.¹⁶
- (10) Notably, in December 2025, the news division of Sýn television station, owned by Sýn hf., discontinued its weekend television news services, although it still broadcasts news from Monday to Friday.¹⁷ As a result, only the State-owned public service media Ríkisútvarpið ohf. (“RÚV”) currently provides daily television news services, including on weekends and public holidays, as explained by the Icelandic authorities. Additionally, in 2023, the television station Hringbraut went bankrupt, thereby terminating both its news-related TV programme broadcasting four times per week and its online news service.¹⁸
- (11) Media service providers in Iceland currently benefit from a lower VAT rate of 11% that applies to radio and television subscription fees, as well as the sale, including subscriptions, of magazines and newspapers in printed and electronic version.¹⁹ Local media might also benefit from the public regional development scheme.²⁰

¹² Hagstofa Íslands, press release of 15 April 2026. Available online [here](#).

¹³ Ibid.

¹⁴ Document No 1614681.

¹⁵ Operating environment of the media: recommendations of the committee on an improved operating environment for private media (*Rekstrarumhverfi fjölmiðla: Tillögur nefndar um bætt rekstrarumhverfi einkarekinna fjölmiðla*), 25 January 2018, page 15. Available online [here](#).

¹⁶ Hagstofa Íslands, press release of 15 April 2026. Available online [here](#).

¹⁷ Document No 1614681.

¹⁸ Ibid.

¹⁹ Article 14(2) of the Icelandic Act on Value Added Tax No [50/1988](#).

²⁰ The public regional development scheme supports small local media. According to the Icelandic authorities, in 2025, nine local media service providers received grants from the regional development scheme, totalling ISK 15 million, which were distributed equally among publishers in rural areas. Each recipient was allocated ISK 1.67 million (EUR 11 613). According to the Icelandic authorities, the public regional development scheme is not considered to amount to State aid. ESA notes that the present decision does not assess that measure.

However, the developments described in paragraphs (5) to (10) show that operating conditions are still challenging.

- (12) To address the abovementioned challenging operating conditions, the Icelandic Minister for Education and Culture appointed a committee (“the Committee”) who in 2018 delivered a report (“the 2018 Report”) which 1) described the operating conditions for private media in Iceland, 2) examined how other Nordic countries provide financial assistance to private media, and 3) proposed potential measures to remedy the situation. The Committee concluded that the media services in Iceland were diverse considering the limited population. However, the Committee also noted that the conditions for the operation of private media were difficult. The Committee found that this should be of concern to the public and a reason to implement measures to create better conditions for media service providers.²¹
- (13) Based on the 2018 Report, the Icelandic authorities decided to implement the initial scheme which, following amendments and prolongations, became the existing scheme. The existing scheme expired on 31 December 2025 (see paragraph (3)).
- (14) In December 2025, the Icelandic Ministry of Culture, Innovation and Higher Education presented the Media Action Plan (“the Action Plan”).²² The Action Plan was put forward after extensive consultation with the country’s media.²³ According to the Action Plan, Icelandic media are under threat, in particular due to advertising revenue flowing to social media operators and search engines, and the fact that only a small portion of the population reports being willing to pay for news services.²⁴ One of the proposals made in the Action Plan is to increase the support for media services as proposed in the revised scheme.²⁵

3.2 Objective

- (15) The objective of the general subsidies is to support the production of news and news-related content and to ensure a strong editorial capacity for private media service providers. This will in turn help to preserve the pluralism, diversity and democratic function of the media and help safeguard the Icelandic language.
- (16) The objective of the supplementary subsidies is to ensure 1) that the public has access to reliable, daily nationwide news coverage, thereby fulfilling an important democratic role in society, and 2) the rapid dissemination of reliable information during emergencies, thereby fulfilling an important security-related role.

3.3 National legal basis

- (17) The national legal basis consists of chapter X B of the Icelandic Media Act No 38/2011 (“the Media Act”)²⁶ and the accompanying regulation.

²¹ Operating environment of the media: recommendations of the committee on an improved operating environment for private media (*Rekstrarumhverfi fjölmiðla: Tillögur nefndar um bætt rekstrarumhverfi einkarekinna fjölmiðla*), 25 January 2018. Available online [here](#). See also the initial decision, paragraphs 3-4.

²² Action plan on media affairs (*Aðgerðaáætlun í málefnum fjölmiðla*), 19 December 2025. Available online [here](#).

²³ Ibid, page 4.

²⁴ Ibid.

²⁵ Ibid, page 10.

²⁶ The Icelandic Media Act [No 38/2011](#).

3.4 Aid granting authority

- (18) The responsible ministry is the Icelandic Ministry of Culture, Innovation and Higher Education. As under the initial scheme and the existing scheme, an independent allocation committee (“the Allocation Committee”) will fulfil the role of the aid granting authority. The Allocation Committee will be responsible for the processing of applications, and the Icelandic Media Commission (“the Media Commission”) will administer the applications and provide its expert opinion during the process.²⁷
- (19) The Allocation Committee will consist of three members. The Supreme Court of Iceland, the Icelandic National Audit Office (“INAO”) and the Joint committee of the Icelandic Universities shall each nominate one member and an alternate. The representative nominated by INAO shall be a licenced auditor. The responsible Minister shall choose the chairperson, who must fulfil the criteria for being a district judge. The other committee members and their alternates shall possess special knowledge in media affairs by education or experience. The members of the Allocation Committee will be appointed for the duration of the revised scheme.

3.5 Beneficiaries

- (20) The beneficiaries of the revised scheme will be media service providers which produce news and news-related content and fulfil ten eligibility criteria, as further detailed below.
- (21) The following ten eligibility criteria will apply:
1. The applicant must be a natural or legal person operating a media service which, prior to the submission of the application to the Allocation Committee, has been continuously registered or licensed with the Media Commission for at least 12 months.
 2. The media service provider is a private media service provider, meaning it is not wholly or partially publicly owned.²⁸
 3. The media service provider must fulfil its reporting obligations to the Media Commission and provide satisfactory documentation and information regarding its ownership, including documented proof of beneficial ownership.
 4. The media service provider must not be in arrears in respect of public charges, taxes and fiscal penalties which were due before the end of the calendar year preceding the application to the Media Commission.
 5. The salaries and rights of the employees of the media service providers must be in accordance with law and collective agreements.
 6. At the end of the calendar year preceding the application to the Media Commission, the media service provider must not have been an

²⁷ See the initial decision, paragraphs 17-18; the first renewal decision, paragraphs 10-13; and the second renewal decision, paragraph 12.

²⁸ Media service providers owned by the central government, local authorities, public institutions, or by any company wholly or partially owned by any such entities will not be eligible for aid.

undertaking in difficulty within the meaning of Article 2 of the General Block Exemption Regulation (“the GBER”).²⁹

7. The media service provider must submit a report to the Allocation Committee on the use of the aid within six months after the aid has been granted.
8. The media service provider must employ at least three members of staff that are occupied full-time in the gathering and distribution of content. Local media service providers must employ one such member of staff.³⁰
9. Print media service providers must publish at least 12 issues per year. Online media service providers, audio and audiovisual media service providers and other comparable media service providers must distribute new content each business day for at least 20 weeks per year.
10. The media service provider is required to provide news and news-related content concerning Icelandic society. This requirement is set for the purpose of ensuring a connection to democracy and democratic debate in Iceland. However, there is no requirement that the media service provider only provides news and current affairs content relating to Icelandic society.

(22) The Icelandic authorities estimate that around 30 private media service providers will be eligible for aid under the measure.

(23) Furthermore, in addition to the ten criteria stated in paragraph (21), the following eight eligibility criteria have to be met in order for the media service provider to receive the supplementary subsidies. The media service provider must:

1. have eligible costs as stated in paragraphs (25) to (30);
2. provide daily nationwide news services in the public interest;
3. cover a broad range of topics, which must not be limited to a specific area of society;

²⁹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1), incorporated into the EEA Agreement by Joint Committee Decision No 152/2014 (OJ L 342, 27.11.2014, p. 63 and EEA Supplement No 71, 27.11.2014, p. 61) and referred to at point 1j of Annex XV to the EEA Agreement, as last amended by Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, incorporated into the EEA Agreement by Joint Committee Decision No 331/2023 (OJ L, 2024/1446, 13.6.2024 and EEA Supplement No 48, 13.6.2024, p. 67).

³⁰ A local media service provider is a regional, district, neighbourhood, or municipal media service provider whose content is primarily of local relevance and which is directed mainly at users who have connections to the media service provider’s area of distribution.

4. for print and web-based media: have at least 50% of the content as editorial content, as opposed to advertising;
5. for print and web-based media: have at least 25% of the content as original editorial content;³¹
6. employ a minimum of 20 full-time editorial staff;
7. maintain responsiveness 24 hours per day³² (for example with on-call shifts³³);
8. provide national election coverage.

(24) The Icelandic authorities estimate that two undertakings will currently be eligible for the supplementary subsidies. However, according to the Icelandic authorities, the scheme is designed with the aim of creating incentives for other media publishers to develop their news services so that they may meet the conditions in the future.

3.6 Aid instrument, intensity, eligible costs, overlap with other schemes

- (25) Under the revised scheme, aid continues to be awarded as operating aid in the form of grants.³⁴ The grants continue to be calculated based on the eligible costs of the beneficiary in the previous year.³⁵
- (26) The revised scheme covers operating costs for the production and dissemination of news and news-related content, rather than covering news, current affairs content and coverage of social issues, which was the case under the existing scheme.³⁶ The Icelandic authorities have explained that the amendment is made to sharpen the focus on the democratic role of news media.
- (27) As under the existing scheme, the eligible operating costs under the revised scheme include the direct salary costs of editorial staff engaged in the following activities:
1. journalism and news reporting;
 2. photography;
 3. editorial and assistant editorial roles;
 4. layout and proofreading.

³¹ "Original editorial content" means content that is created, researched, produced, commissioned, or substantially developed by the media service provider. It does not include content that is merely reproduced, republished, translated, syndicated, or otherwise obtained from third parties without substantial editorial contribution.

³² "Responsiveness 24 hours per day" means the ability of editorial staff to receive and respond to communications at any time, including outside normal working hours, and to take such action as may be necessary to ensure the timely dissemination of information to the public.

³³ "On-call shifts" mean that editorial employees are required to remain available outside their scheduled working hours and may be called upon to report at short notice, for example in response to natural disasters or other serious incidents that require timely and reliable dissemination of information to the public.

³⁴ The initial decision, paragraph 25.

³⁵ Ibid.

³⁶ The Icelandic authorities have explained that sports news is considered news-related content.

- (28) Under the revised scheme, the eligible operating costs also include the following additional categories, which are introduced to extend the media formats supported by the scheme beyond those published in print:
1. cinematography;
 2. broadcast production;
 3. video and audio editing;
 4. graphic design and web development.
- (29) As under the existing scheme, the revised scheme also includes payments to contractors performing equivalent editorial functions to those stated in paragraphs (27) to (28).
- (30) All eligible costs must be tax-deductible operating costs and verified by a licenced auditor or an authorised accountant.³⁷
- (31) The aid amount is calculated in the following way:
- General subsidies:
 1. The maximum aid intensity is 25% of the eligible costs.
 2. Local media outside the capital area receive an additional 20% of the calculated aid amount, resulting in a maximum aid intensity of 30% for local media.
 3. If the total aid amount exceeds the budget of the scheme (see paragraph (39)), the aid for each beneficiary will be reduced proportionally. Conversely, if the total aid amount is less than the budget, the remaining funds are distributed proportionally (provided that the aid remains within the maximum aid intensities).
 4. Support for each aid beneficiary may not exceed 22% of the annual budget.
 - Supplementary subsidies:
 1. The budget for the supplementary subsidies (see paragraph (40)) is distributed equally among all eligible beneficiaries.
 2. However, beneficiaries may not receive aid exceeding 50% of the eligible costs (see paragraphs (25) to (29)), when assessed together with the general subsidies.

³⁷ The following costs are explicitly excluded: management and administration, marketing, advertising and distribution, printing and other non-editorial costs and deductible VAT.

- (32) State aid received for the same eligible activities is deducted from the eligible costs.³⁸

3.7 Control mechanisms

- (33) The application must be submitted by a deadline determined by the Icelandic authorities. If an application is received after the deadline, it shall be dismissed unless there was a valid reason for the delay.
- (34) Where a media service provider operates, directly or indirectly, more than one media that qualifies for operational support, an application shall be made jointly for them.
- (35) The Icelandic authorities explain that there are certain requirements relating to the submission. Specifically, the application shall include documentation on supportable operating costs and shall be itemised.³⁹ The information must be confirmed by a licenced auditor. In the case of media service providers with an annual turnover of less than ISK 20 million, the information shall be confirmed by a licenced auditor or an authorised accountant. Additionally, the board of directors or managing director of a media service provider shall confirm that information and documentation relating to an application are in accordance with the provisions of the Media Act.
- (36) To verify eligible operational costs, the Allocation Committee may request relevant information from the applicant. If the documentation is insufficient, the Allocation Committee shall set a deadline for the applicant to submit satisfactory documentation. If the Allocation Committee does not receive satisfactory documentation within the time limit given, or if it follows from the available evidence that not all requirements are fulfilled, it shall reject the application. If applications are found to contain cost items that the Allocation Committee does not consider eligible, the Allocation Committee is authorised to reduce the requested amount accordingly.
- (37) Decisions of the Allocation Committee under the Media Act are final at the administrative level, meaning that they cannot be reviewed by other administrative bodies but are only subject to judicial review or by review of the Parliamentary Ombudsman, provided that the relevant legal requirements are satisfied.

3.8 Budget and duration

- (38) The scheme will enter into force following ESA's approval and run until 1 January 2031. The measure will be financed through the State budget.

³⁸ The Icelandic authorities have informed ESA that support received according to the Icelandic authorities' regional development scheme is not deducted from the eligible costs (see paragraph (11) and footnote 20).

³⁹ Information must be provided on, among other things, the average number of full-time equivalent positions, the number of contractors, and the total amount paid to them for the dissemination of news and news-related content during the previous year.

- (39) The estimated annual budget for the general subsidies is ISK 500 000 000 (approximately EUR 3.5 million) for 2026, and ISK 800 000 000 (approximately EUR 5.6 million) starting in 2027.⁴⁰
- (40) The estimated annual budget for the supplementary subsidies is ISK 100 000 000 (approximately EUR 695 410) for 2026, and ISK 300 000 000 (approximately EUR 2.1 million) starting in 2027.

4 Presence of State aid

4.1 Introduction

- (41) 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.”
- (42) 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.⁴¹ In its initial decision, ESA concluded that the scheme constituted State aid.⁴² As set out below, there are no grounds for departing from that conclusion.

4.2 Presence of State resources and imputability

- (43) The measure must be granted by the State or through State resources. The measure will be financed through the State budget (see paragraph (38)) and is therefore financed through State resources. Further, the measure has the Media Act and the accompanying regulation as its legal basis (see paragraph (17)). It will be administered by the Icelandic Ministry of Culture, Innovation and Higher Education, and the Allocation Committee together with the Media Commission (see paragraph (18)). The measure is therefore imputable to the State.

4.3 Conferring a selective advantage on an undertaking

- (44) The measure must confer on the media service providers an advantage that relieves them of charges that are normally borne from their budget.
- (45) The measure provides private media service providers in Iceland with financial support in the form of direct grants. The measure therefore confers an advantage on beneficiaries which they would not have obtained under normal market conditions.
- (46) The measure must be selective in that it favours “certain undertakings or the production of certain goods”. The measure is selective as it is only available to

⁴⁰ The exchange rate for the budget estimates is based on the Euro Foreign Exchange Reference Rate on 8 May 2026 for all amounts converted from ISK to EUR in this decision (available online [here](#)).

⁴¹ Judgment of 20 November 2025, *Stockholms Hamn*, C-401/24, EU:C:2025:902, paragraph 19 and the case law cited.

⁴² See the initial decision, paragraphs 37-45.

certain undertakings, i.e. private media service providers that fulfil the eligibility criteria set out in paragraphs (21) and (23) above.

4.4 Effect on trade and distortion of competition

- (47) The measure must be liable to distort competition and to affect trade between the Contracting Parties to the EEA Agreement. The sector in which the beneficiaries operate, i.e. the media sector, is subject to intra-EEA trade. The measure is therefore liable to distort competition and affect trade.

4.5 Conclusion

- (48) In the light of the above assessment, ESA concludes that the measure constitutes State aid within the meaning of Article 61(1) of the EEA Agreement.

5 Aid scheme or individual aid

- (49) Pursuant to Article 1(d) 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”), an aid scheme shall mean, inter alia, any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner.
- (50) ESA notes that the legal basis of the measure (see paragraph (17)) is set out in acts which do not require further implementing measures for the granting of the aid, since the Allocation Committee as the aid granting authority will apply the conditions referred to in sections 3.5 to 3.7 and, in doing so, will not have discretion which would allow it to influence the amount of the aid, its characteristics or the conditions under which that aid is granted.⁴³ Moreover, the beneficiaries are defined in a general and abstract manner as media service providers which meet the eligibility criteria set out in paragraphs (21) and (23). ESA therefore considers that the aid is granted on the basis of an aid scheme.

6 Lawfulness of the aid

- (51) 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 this procedure has resulted in a final decision.”
- (52) The Icelandic 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.

7 Compatibility of the aid

7.1 Introduction

- (53) 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 Icelandic authorities have invoked Article 61(3)(c) of the EEA Agreement as the basis for the assessment of the compatibility of the measure.

⁴³ Judgment of 26 March 2026, *Fremoluc and Association de Promotion des Droits Humains et des Minorités*, C-58/25, EU:C:2026:255, paragraph 29.

- (54) 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
- (55) For most cases, these conditions are outlined in ESA’s State aid guidelines. However, in this case there are no existing State aid guidelines applicable to the measure. ESA will therefore assess the measure directly under Article 61(3)(c) of the EEA Agreement.
- (56) 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.

7.2 Facilitation of development of certain economic activities or areas

7.2.1 Economic activities or areas supported

- (57) 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.
- (58) The measure aims at strengthening private media service providers that produce news and news-related content. By partially compensating the media service providers’ operational costs, the measure addresses the difficult operating conditions of undertakings providing news services, including the decline in the beneficiaries’ income (see paragraphs (4) to (11)). The measure thereby also contributes to the ability of the private media sector to continue and develop its activities and to adapt to market developments.
- (59) ESA further notes that the aid will not only benefit the private media service providers, but by ensuring media diversity, it also benefits the general public. The measure will contribute to the strengthening of the media’s democratic role of producing and delivering information to the public.
- (60) For these reasons, ESA considers that the measure facilitates the development of the economic activities of private media service providers, as required by Article 61(3)(c) of the EEA Agreement, and ensures media pluralism and media diversity.

7.2.2 Incentive effect

- (61) 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. To establish whether the measure has an incentive effect, it must be demonstrated that it changes the behaviour of the undertakings 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 in a restricted or different manner.

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

- (62) Icelandic private media service providers are in a difficult situation, as shown by the small population and changing consumer behaviour (see paragraph (5)), the decrease in both advertising and user revenue for print news services (see paragraphs (6) to (7)), and the exit from the market or reduction of activities of major players in the past years (see paragraphs (8) to (10)). Without the aid, there is a risk that the beneficiaries would not undertake, or would reduce, the dissemination of news and news-related content. The market developments in the past years show that this risk is more than merely hypothetical.
- (63) In view of the above, ESA considers that in the absence of the measure, the activity would likely not have been carried out or would have been carried out in a more restricted manner, and consequently the development of the economic activities would not have been facilitated. Therefore, the aid measure has an incentive effect.

7.2.3 Compliance with relevant EEA law

- (64) 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.⁴⁵
- (65) ESA has no indications that the measure, the conditions attached to it, or the activity it finances entail a violation of relevant EEA law.

7.3 Whether the aid adversely affects trading conditions to an extent contrary to the common interest

7.3.1 Introduction

- (66) ESA has to identify both the positive effects of the measure for the development of the abovementioned economic activities and economic areas and the negative effects in terms of distortion of competition and adverse effect on trade. These positive and negative effects must then be weighed up.

7.3.2 Affected markets and the measure's positive effects

- (67) The markets affected by the aid are the Icelandic national and local markets for media production and services.
- (68) ESA considers that the measure will have positive effects as it will contribute to the development of private news and news-related services, which is essential for the democratic functioning of the press, see paragraphs (15) to (16) and section 7.2.1.
- (69) In particular, ESA notes that the aid aims to strengthen media pluralism and the diversity of media as well as to ensure nationwide access to news and to support local and regional media. Additionally, the measure aims to enhance democratic participation (see paragraphs (15) to (16)).

⁴⁵ Judgments of 19 September 2000, *Germany v Commission*, C-156/98, EU:C:2000:467, paragraph 78; 22 December 2008, *Régie Networks*, C-333/07, EU:C:2008:764, paragraphs 94–116; 22 September 2020, *Austria v Commission (Hinkley Point C)*, C-594/18 P, EU:C:2020:742, paragraph 44; 14 October 2010, *Nuova Agricast*, C-390/06, EU:C:2008:224, paragraphs 50–51.

7.3.3 Limited negative effects of the aid

7.3.3.1 Introduction

- (70) 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. Media service providers producing news and news-related content could obtain a competitive advantage through receiving State aid, compared e.g. to other media service providers not receiving aid. In this regard, it cannot be excluded that private media service providers that do not receive aid under the scheme may decide to reduce their own future investment. Therefore, the measure could distort competition and trade in the media market.
- (71) However, newspapers reporting on national or local issues, in particular newspapers produced in less prevalent languages, are in general subject to very limited cross-border trade due to the inherent national character of such products. In this regard, ESA notes that the area for the Icelandic language is very small, and that Icelandic newspapers, whether printed or online, cannot in general be considered substitutable with foreign newspapers. ESA considers that news publications in another language would not be real substitutes or only constitute a substitute to a limited extent and in turn that only few subscribers or advertisers would switch between them due to the aid.
- (72) Furthermore, the measure has a limited budget and the general scheme's aid intensity cannot exceed 25% of the eligible costs (30% for local media), see paragraphs (31) and (39) to (40). For the beneficiaries receiving the supplementary subsidies, the maximum aid intensity is limited to 50% of the eligible costs, see paragraph (31).
- (73) Against this background, ESA considers that the measure will only lead to limited distortions of competition resulting from aid to private media service providers.

7.3.3.2 Necessity of the aid

- (74) An aid measure is necessary if it can bring about a material improvement the market cannot deliver.
- (75) Multiple factors explain the difficult operating conditions of media service providers. Firstly, the limited size of the Icelandic population means that media service providers have a small audience, limiting their ability to attract advertising and subscription income (see paragraph (5)). Secondly, changing consumer behaviour is making the conditions difficult for news and news-related services, including a low willingness by users to pay for news services and the fact that a large percentage of the population is accessing domestic news through social media platforms (see paragraph (5)). Thirdly, shifting market conditions have resulted in a sharp decrease in the print news media's share of the total revenue in the media sector (see paragraph (6)).
- (76) The characteristics of the digital market favour large businesses, and especially multinational corporations. This is due to the increased economies of scale and the need for investments in innovation and development. While local news and current affairs media traditionally competed in a limited geographical market, they now compete for the attention of the customer base against large companies with worldwide operations, such as social media and search engines (see paragraphs

(5) and (14)). Small, local news and current affairs media are especially vulnerable competing in the digital market.

- (77) Consequently, print news media have experienced a significant decline in the past years, both in user and advertising revenues (see paragraph (7)). The Icelandic authorities explain that private media are facing difficult operating conditions. ESA finds this submission credible in light of the recent market developments, with several media service providers having exited the market or reduced the news services provided (see paragraphs (8) to (10)). ESA notes in this respect that the continued difficult operating conditions (see paragraphs (5) to (10)) indicate that the existing VAT reduction (see paragraph (11)) is not sufficient, and that further measures are necessary.
- (78) ESA notes that the production of high-quality news media does not fully internalise the societal benefits of the actions of media service providers, as also submitted by the Icelandic authorities. First, journalistic content produced by media service providers is to a large extent republished and further developed by others. Hence, the external value of editorial content will not be fully internalised by the media companies that originally produced the content. Consequently, this may lead to sub-optimal investments in the editorial content.
- (79) Secondly, besides providing individuals with information and a basis for their decisions, news media play a pivotal role in securing democratic debates, scrutinising political processes and producing content reflecting national language, culture and identity. The value of the content provided by news media does not only accrue to those consuming and paying for it, but to society as a whole.
- (80) In conclusion, the developments described above increase the difference between optimal social welfare (in this case the production and consumption of a plurality of news and news-related content) on the one hand, and consumers' perceived utility of using news and news-related media, as well as the perceived utility of producing such content on the other hand. The measure helps prevent media service providers facing difficult operating conditions from exiting the market or reducing their news and news-related services to the detriment of quality. Based on the above, ESA concludes that the measure is necessary.

7.3.3.3 Appropriateness of the aid

- (81) 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(3)(c) EEA can only be justified by the appropriateness of a particular instrument to contribute to the development of the targeted economic activities or areas.
- (82) ESA normally considers that a measure is an appropriate instrument where an 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.
- (83) Prior to the Icelandic authorities' implementation of the initial scheme, they engaged the Committee to examine the operating conditions of media service providers, in addition to examining how other Nordic countries provide financial assistance to private media (see paragraph (12)). Based on the conclusions and suggestions in

the Committee's report, the Icelandic authorities considered different measures. Due to the seriousness of the adverse market development, the Icelandic authorities concluded that it was necessary to directly address the lack of profitability with financial support. The Icelandic authorities have confirmed that the considerations set out in the Committee's report remain relevant today. ESA finds that this position is supported by the decrease in revenue of print news media and the exit of major players from the market (see paragraphs (6) to (10)).

- (84) Furthermore, according to the Icelandic authorities, alternative measures would be less targeted, as they would be less effective in ensuring that support is directed specifically to journalistic output. ESA agrees that other policy instruments such as regulatory intervention, or other aid instruments such as loans, would not address the continued difficult operating conditions for private media in Iceland (see paragraphs (5) to (10)) in an equally suitable manner.
- (85) In view of the above, ESA considers that the measure is the appropriate instrument to facilitate the development of the economic activities in question.

7.3.3.4 Proportionality of the aid

- (86) State aid is proportionate if the aid amount per beneficiary is limited to the minimum needed to incentivise the additional investment or activity in the area concerned.
- (87) The measure covers certain operational costs of the private media service providers, namely costs of personnel, either salary paid to employees or costs paid in respect of independent contractors for the production of news or news-related services (see paragraphs (27) to (30)). Aid is limited to a maximum of 25% of the eligible costs (30% for local media and 50% when taking into account the supplementary subsidies), and aid is automatically reduced proportionately if aid exceeds the budget (see paragraph (31)). ESA further notes that the measure caps aid per beneficiary and facilitates broad distribution by limiting a beneficiary's share to 22% of the annual budget (see paragraph (31)).
- (88) The increased maximum aid intensity for local media benefits undertakings playing an important societal role while being in a particularly vulnerable position. ESA also notes that the aid intensity remains relatively low also for local media.
- (89) For media service providers receiving the supplementary subsidies in addition to the general subsidies, the total aid intensity is limited to 50% of the eligible costs (see paragraph (31)). However, the Icelandic authorities have informed ESA that in practice, the aid will likely be significantly lower due to budget constraints (see paragraphs (31) and (39) to (40)). ESA also notes that fulfilling some of the requirements necessary to be eligible for the supplementary subsidies, in particular maintaining 24-hour responsiveness (see in particular paragraph (23), numbers 4-7) is cost-intensive for the undertakings involved. ESA further notes that maintaining 24-hour responsiveness may entail costs that are not fully reflected in ordinary commercial operations. Therefore, the aid will help ensure public access to reliable, daily nationwide news coverage, including ensuring the desired level of responsiveness. For both the general subsidies and the supplementary subsidies, other State aid for the same eligible costs is deducted.
- (90) Therefore, ESA considers the measure to be proportionate.

7.3.3.5 Conclusion on limited negative effects

- (91) In light of the above arguments, ESA concludes that any negative effects of the aid on competition and on trade are limited.

7.3.4 *Balancing positive and negative effects of the aid*

- (92) For the aid to be compatible with the functioning of the EEA Agreement under its Article 61(3)(c), 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.
- (93) On the negative side, ESA notes that the measure is liable to strengthen the competitive position of the supported media service providers, as opposed to their competitors. However, ESA notes that the measure concerns media products in Icelandic at most at national and more often at local level. The expected negative effects of the measure on trade in the European Economic Area are therefore low.
- (94) In addition, since the measure is necessary, appropriate and proportionate (see sections 7.3.3.2, 7.3.3.3 and 7.3.3.4), any potential negative impact on competition and trade is softened. Therefore, ESA considers the measure to have limited distortive effect on competition and trade.
- (95) On the positive side, ESA notes that the measure will facilitate the development of the production of news and news-related content by reducing the operating costs of the media service providers, thereby helping prevent media service providers from reducing or possibly terminating their activities (see paragraph (62)). This in turn contributes to preserving and promoting fundamental values such as freedom of expression, freedom of information, media literacy, diversity and pluralism.
- (96) On balance, ESA concludes that the positive effects of the measure outweigh possible distortions of competition and adverse impact on trade. Therefore, ESA considers that the aid does not unduly affect trading conditions to an extent contrary to the common interest.

7.4 Transparency

- (97) The Icelandic authorities have confirmed that the aid award, should it exceed EUR 100 000, will be published on the State aid transparency website⁴⁶ administered by the European Commission.

8 Conclusion

- (98) 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 the implementation of the measure.

The Icelandic authorities have confirmed that the notification does not contain any business secrets or other confidential information that should not be published.

⁴⁶ State aid transparency website, available at: <https://webgate.ec.europa.eu/competition/transparency/public?lang=en>.

Yours faithfully,

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