

Brussels, 16 February 2022  
Case No: 88048  
Document No: 1264257  
Decision No 051/22/COL

Ministry of Finance and Economic Affairs  
Arnarhvoli  
101 Reykjavík

**Subject: EFTA Surveillance Authority Decision No 051/22/COL of 16 2022 on the Icelandic regional aid map 2022–2027 (Iceland)**

## 1 Summary

- (1) The EFTA Surveillance Authority ('ESA') wishes to inform Iceland that, having assessed the Icelandic regional aid map 2022–2027, ESA finds it compliant with the principles set out in the Guidelines on regional state aid ('the RAG') <sup>(1)</sup>.
- (2) This decision represents ESA's assessment of the regional aid map under paragraph 190 of the RAG. The approved map constitutes an integral part of the RAG <sup>(2)</sup>. It does not involve any state aid, and it does not constitute an authorisation to grant such aid.
- (3) ESA has based its decision on the following considerations.

## 2 Procedure

- (4) On 1 December 2021, ESA adopted its new RAG. The RAG set out conditions under which notifiable regional aid may be considered compatible with the functioning of the EEA Agreement <sup>(3)</sup>. They also set out criteria for identifying the areas that fulfil the compatibility conditions under Article 61(3)(a) and Article 61(3)(c) of the EEA Agreement <sup>(4)</sup>, the so-called 'a' and 'c' areas.
- (5) According to paragraph 150 of the RAG, the areas which EEA EFTA States wish to designate as 'a' or 'c' areas must be identified in a regional aid map.
- (6) Pursuant to paragraph 189 of the RAG, each EEA EFTA State should notify to ESA a single regional aid map applicable until 31 December 2027. The Icelandic authorities notified the Icelandic regional aid map 2022–2027 on 27 January 2022 <sup>(5)</sup>.

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<sup>(1)</sup> The Guidelines on regional state aid were adopted on 1 December 2021 by ESA Decision No 269/21/COL, not yet published.

<sup>(2)</sup> The RAG, paragraph 190.

<sup>(3)</sup> The RAG, paragraph 2.

<sup>(4)</sup> *Ibid.*

<sup>(5)</sup> The notification is filed as Document No 1265806. Its two Annexes are filed as Document Nos 1265808 and 1265810.

### 3 Eligible areas designated by the Icelandic authorities

- (7) A common classification of territorial units for statistics has been established in the EU. This classification is called NUTS. The NUTS classification operates with three hierarchical levels numbered from 1 to 3. NUTS 1 comprises the largest units, whereas NUTS 3 covers the smallest units <sup>(6)</sup>.
- (8) As noted in footnote 30 to the RAG, statistical regions similar to the NUTS classification have been defined in the EEA EFTA States. Accordingly, while the Commission regional aid guidelines <sup>(7)</sup> refer to the NUTS classification, the RAG make use of the term statistical regions. The NUTS classification and the statistical regions in the EEA EFTA States are available on Eurostat's web-pages <sup>(8)</sup>.
- (9) The whole of Iceland falls within one statistical region at level 2 (*Ísland*). At level 3, Iceland is further divided into two statistical regions. These are respectively the capital region (*Höfuðborgarsvæði*) and Iceland outside of the capital region (*Landsbyggð*) <sup>(9)</sup>.
- (10) The areas designated in the Icelandic regional aid map 2022–2027 are those comprising the level 3-region of *Landsbyggð* <sup>(10)</sup>.
- (11) Based on population data from 1 January 2018, the population density of Iceland is 3.48 inhabitants per km<sup>2</sup>. *Landsbyggð* is significantly less densely populated than *Höfuðborgarsvæði*. The population densities in *Landsbyggð* and *Höfuðborgarsvæði* are respectively 1.27 and 225.87 inhabitants per km<sup>2</sup> based on the population data from 1 January 2018 <sup>(11)</sup>.
- (12) *Landsbyggð* covers areas of 99 258 km<sup>2</sup>. Based on the most recent data from Statistics Iceland (*Hagstofan*), the resident population was 132 264 inhabitants on 1 January 2021. This equates to a population density of 1.33 inhabitants per km<sup>2</sup> <sup>(12)</sup>.
- (13) The graphical illustration attached as Annex I to this decision depicts *Landsbyggð*. Annex II further contains a list of those smaller units that make up this level 3-region <sup>(13)</sup>.

### 4 Assessment

- (14) The regional aid coverage available for 2022–2027 is set out for each EEA EFTA State in Annex I to the RAG. The whole of Iceland is identified in Annex I as predefined 'c' areas.

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<sup>(6)</sup> Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1) as amended by Commission Delegated Regulation (EU) 2019/1755 (OJ L 270, 24.10.2019, p. 1).

<sup>(7)</sup> Guidelines on regional State aid (OJ C 153, 29.4.2021, p. 1)

<sup>(8)</sup> <https://ec.europa.eu/eurostat/web/nuts/nuts-maps>. This web-link was inserted, and last checked, on 8 February 2022.

<sup>(9)</sup> Document No 1265806, p. 2.

<sup>(10)</sup> *Ibid.*

<sup>(11)</sup> *Ibid.*

<sup>(12)</sup> Document No 1265806, p. 3 and 4.

<sup>(13)</sup> The Annexes are based on Document Nos 1265808 and 1265810.

- (15) The Icelandic authorities may use this allocation to designate 'c' areas in their regional aid map. The rules governing this designation are found in paragraphs 168 and 169 of the RAG.
- (16) According to paragraph 168 of the RAG, EEA EFTA States may designate as 'c' areas the predefined 'c' areas. Paragraph 169 additionally allows for a flexible approach whereunder other areas are included. Since the whole of Iceland is allocated in Annex I as predefined 'c' area, the Icelandic authorities could have designated the whole of Iceland as 'c' area in their regional aid map.
- (17) As set out in paragraph (9) above, Iceland falls within one statistical region at level 2 (*Ísland*). At level 3, Iceland is further divided into two statistical regions. These are respectively the capital region (*Höfuðborgarsvæði*) and Iceland outside of the capital region (*Landsbyggð*).
- (18) When designating the eligible areas in the Icelandic regional aid map 2022–2027, the Icelandic authorities have included the level 3-region of *Landsbyggð* and excluded the level 3-region of *Höfuðborgarsvæði*. Since the included level 3-region of *Landsbyggð* falls within those predefined 'c' areas set out in Annex I to the RAG, ESA finds that the designation of *Landsbyggð* as 'c' areas in the Icelandic regional aid map 2022–2027 is compliant with the RAG.
- (19) According to footnote 65 of the RAG, sparsely populated and very sparsely populated areas should be identified on the regional aid map. 'Very sparsely populated areas' are defined in paragraph 19(32) as *statistical regions at level 2 with fewer than eight inhabitants per km<sup>2</sup> or parts of such statistical regions designated by the EEA EFTA State concerned in line with paragraph 169*. *Landsbyggð* therefore qualifies as very sparsely populated.

## 5 Aid intensities

- (20) Pursuant to paragraph 151 of the RAG, the regional aid map must specify the maximum aid intensities applicable in the eligible areas during the period of validity of the approved map.
- (21) The maximum aid intensities apply to regional investment aid. The maximum aid intensities allowed for such aid under the RAG, are set out in its Section 7.4.
- (22) Paragraph 182(1) of the RAG stipulates that the aid intensity for large enterprises must not exceed 20% in sparsely populated areas. It further follows from paragraph 186 that the aid intensity may be increased by up to 20 percentage points for small enterprises or up to 10 percentage points for medium-sized enterprises. As specified in footnote 85 of the RAG, however, the increased aid intensities for small and medium-sized enterprises will not apply to aid awarded for large investment projects <sup>(14)</sup>.
- (23) The Icelandic authorities have notified a maximum aid intensity for large enterprises of 20%. This maximum intensity is increased by 20 percentage points for small enterprises and 10 percentage points for medium-sized enterprises.

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<sup>(14)</sup> The term 'large investment project' is defined in the RAG paragraph 19(18) as an initial investment with eligible costs exceeding EUR 50 million.

These increased aid intensities do, however, not apply to aid awarded for large investment projects <sup>(15)</sup>.

- (24) The limits in aid intensities defined by the Icelandic authorities, as described in paragraph (23), are in line with the provisions described in paragraph (22). They are therefore compliant with the RAG.

## 6 Duration and review

- (25) In accordance with paragraph 189 of the RAG, the Icelandic authorities have notified a single regional aid map applicable to 31 December 2027.
- (26) It follows from paragraph 194 of the RAG that a mid-term review of regional aid maps will be carried out in 2023. ESA will communicate the details on this review by June 2023.

## 7 Conclusion

- (27) On the basis of the foregoing assessment, ESA finds that the Icelandic regional aid map 2022–2027 is compliant with the principles set out in the RAG. The approved map constitutes an integral part of the RAG.
- (28) Annexes I and II form an integral part of this decision.

For the EFTA Surveillance Authority,

Yours faithfully,

Arne Røksund  
President  
Responsible College Member

Stefan Barriga  
College Member

Árni Páll Árnason  
College Member

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

Annex I – Graphical illustration (Document No 1264756).

Annex II – List of smaller units (Document No 1264768).

*This document has been electronically authenticated by Arne Roeksund, Melpo-Menie Josephides.*

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<sup>(15)</sup> Document No 1265806, p. 3.