

Brussels, 27 January 2022  
Case No: 88036  
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Decision No 014/22/COL

Ministry of Finance and Economic Affairs  
Arnarhvoli  
101 Reykjavík  
Iceland

**Subject: COVID-19 Renewal of and amendment to the Closure grants scheme**

## 1 Summary

- (1) The EFTA Surveillance Authority (“ESA”) wishes to inform Iceland that, having assessed the notified renewal of and amendment to the COVID-19 Closure grants scheme (“the measures”), it considers that the measures constitute state aid within the meaning of Article 61(1) of the EEA Agreement and decides not to raise objections<sup>1</sup> to the measures, as they are compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(b). ESA has based its decision on the following considerations.

## 2 Procedure

- (2) The Icelandic authorities notified the measures on 26 January 2022.<sup>2</sup>

## 3 Description of the measures

### 3.1 Background

#### 3.1.1 *The approved scheme and its amendments*

- (3) By [Decision No 128/20/COL](#) of 6 November 2020, ESA approved the COVID-19 Closure grants scheme (“the closure grants scheme” or just “the scheme”), which aimed at compensating undertakings forced to close or halt their operations for public health reasons during the COVID-19 outbreak. By [Decision No 037/21/COL](#) of 10 May 2021, ESA approved a prolongation of the scheme until 30 September 2021 (“the prolonged scheme”).
- (4) The scheme aimed at contributing to the continuation of economic activity of undertakings that have suffered a loss of income due to the pandemic and containment measures. The general conditions of the scheme are described in Decision Nos 128/20/COL and 037/21/COL (“the approval decisions”).
- (5) The scheme was approved under Article 61(3)(b) of the EEA Agreement and assessed in line with the [Temporary Framework](#) for state aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).<sup>3</sup>

<sup>1</sup> 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.

<sup>2</sup> Document No 1265276, 1265278 and 126528.

### 3.1.2 Continued impact of COVID-19

- (6) On 15 January 2022, the Icelandic Government imposed the current restrictions, which include mandatory closing of bars, night clubs and arcades. These restrictions are foreseen to be in force until 2 February 2022.
- (7) The Icelandic authorities submit that the measures are necessary in order to provide continued support to undertakings facing a severe lack of liquidity due to the exceptional circumstances created by the COVID-19 outbreak.

### 3.2 The notified measures

- (8) The scheme expired on 30 September 2021.
- (9) The Icelandic authorities have notified a renewal of the scheme with a duration until 30 June 2022. Consequently, aid under the scheme may be granted no later than 30 June 2022.
- (10) Furthermore, the maximum aid granted per beneficiary is increased to ISK 330 million (approx. EUR 2 300 000).<sup>4</sup> Under the approval decisions, the maximum amount of aid per beneficiary was ISK 260 million (approx. EUR 1 730 000).<sup>5</sup>
- (11) The Icelandic authorities have confirmed that all other conditions of the scheme will remain unchanged.

## 4 Presence of state aid

- (12) 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.”
- (13) 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.
- (14) ESA has previously concluded that the scheme constitutes state aid within the meaning of Article 61(1) of the EEA Agreement. The renewal and amendment, as described above, do not alter the previous assessment. The measures therefore constitute state aid within the meaning of Article 61(1) of the EEA Agreement

## 5 Procedural requirements

- (15) 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

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<sup>3</sup> Communication from the Commission – Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak of 19 March 2020, OJ C 91, 20.3.2020, p. 1, amended six times, (i) on 3.4.2020, OJ C 112, 4.4.2020, p. 1, (ii) on 8.5.2020, OJ C 164, 13.5.2020, p. 3, (iii) on 29.6.2020, OJ C 218, 2.7.2020, p. 3, (iv) on 13.10.2020, OJ C 340, 13.10.2020, p. 1, (v) on 28.01.2021, OJ C 34, 01.02.2021, p 6. and (vi) on 18.11. 2021, OJ C 473, 24.11.2021, p. 1.

<sup>4</sup> In accordance with the 6<sup>th</sup> amendment to the Temporary Framework of 18 November 2021.

<sup>5</sup> See Decision No 037/21/COL, paragraph 9.

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.”

- (16) The Icelandic authorities have notified the measures and have yet to let the scheme 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**

- (17) Under Article 61(3)(b) of the EEA Agreement, state aid can be considered compatible with the functioning of the EEA Agreement “to remedy a serious disturbance in the economy of an EC Member State or an EFTA State”.
- (18) The disturbance must affect the whole or an important part of the economy of the State concerned and not merely that of one of its regions or part of its territory. This is in line with the requirement to interpret exceptions, such as Article 61(3)(b) of the EEA Agreement, strictly.
- (19) In the context of the COVID-19 outbreak, the Commission adopted the Temporary Framework that sets out temporary state aid measures that it considers compatible under Article 107(3)(b) TFEU, which corresponds to Article 61(3)(b) of the EEA Agreement.
- (20) In order to ensure uniform application of the state aid rules throughout the European Economic Area, in line with the objective of homogeneity established in Article 1 of the EEA Agreement, ESA applies the compatibility conditions set out in the Temporary Framework to state aid granted by the EEA EFTA States under Article 61(3)(b) in the context of the COVID-19 outbreak.
- (21) In the approval decisions referred to in paragraphs (3) and (4) above, ESA concluded that the scheme was compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(b) and the conditions in the Temporary Framework.
- (22) There is nothing to indicate that this conclusion should be altered with respect to the measures. ESA notes, in particular, that the measures provide liquidity support for undertakings to counteract the unprecedented effects on their economic activities in light of the containment measures against the spreading of the COVID-19 outbreak. The scheme enables undertakings to continue their economic activity despite the losses suffered due to the containment measures and allows them to preserve their business connections and secure preparedness for the post-pandemic economy.
- (23) The renewed duration of the scheme until 30 June 2022, and the amended maximum aid amount per beneficiary under the scheme, do not change this assessment.
- (24) Following the 6<sup>th</sup> amendment to the Temporary Framework, paragraph 22(d) allows for aid schemes to remain in force until 30 June 2022 and paragraph 22(a) allows overall aid per beneficiary up to EUR 2.3 million (approx. ISK 334 million). Therefore, the proposed renewal until 30 June 2022 and the increased maximum

aid granted per beneficiary under the scheme are in accordance with the conditions in Section 3.1 of the Temporary Framework.

- (25) The Icelandic authorities have also confirmed that all applicable rules pertaining to cumulation, monitoring and reporting under the Temporary Framework will be adhered to.
- (26) Based on the above, ESA concludes that the measures comply with the requirements of the Temporary Framework.

## **7 Conclusion**

- (27) On the basis of the foregoing assessment, ESA considers that the renewal of and the amendment to the COVID-19 Closure grants scheme constitute state aid with the meaning of Article 61(1) of the EEA Agreement. Since ESA has no doubts that this aid is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(b), it has no objections to the implementation of the measures.
- (28) The Icelandic authorities have confirmed that the notification does not contain any business secrets or other confidential information that should not be published.

For the EFTA Surveillance Authority,

Yours faithfully,

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President  
Responsible College Member

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