

Ministry of Finance and Economic Affairs  
Arnarhvoli  
101 Reykjavík  
Iceland

**Subject: Production grant scheme for private media outlets**

## 1 Summary

- (1) The EFTA Surveillance Authority (“ESA”) wishes to inform Iceland that, having assessed the production grant scheme for private media entities (hereinafter referred to as “media outlets”) (“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 objections<sup>1</sup> 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 16 August 2021.<sup>2</sup>

## 3 Description of the measure

### 3.1 Background

- (3) In December 2016, the Icelandic authorities appointed a committee to examine the conditions for the operation of media outlets and media services in Iceland. The committee was further requested to make proposals for measures to address the challenges that they might be facing.
- (4) In January 2018, the committee delivered a report on the operating conditions of private media outlets in Iceland (*Rekstrarumhverfi fjölmiðla – Tillögur nefndar um bætt rekstrarumhverfi einkarekinna fjölmiðla*) (“the Report”).<sup>3</sup> The conclusions in the Report were that the conditions for operating media services in Iceland were in many ways diverse, although overall the operating conditions of private media were difficult.
- (5) The media market in Iceland is small. The market accounts for 157 private media outlets that are either operated separately or together. This includes 62 locally operated media outlets. There are: (i) 20 media outlets in television, (ii) 10 in internet radio outlets, (iii) 13 radio outlets, (iv) 54 web outlets, and (v) 60 printed material media outlets.

<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 Nos 1221297, 1221299 with 7 attachments. Document Nos 1221301, 1221303, 1221305, 1221307, 1221309, 1221311, 1221313 and 1222436.

<sup>3</sup> *Rekstrarumhverfi fjölmiðla – Tillögur nefndar um bætt rekstrarumhverfi einkarekinna fjölmiðla*. Menntamálaráðuneyti 2018.

- (6) The production of content in the Icelandic language relies heavily on manpower and is costly. Media outlets rely mostly on income from advertising and subscriptions to stay in operation.
- (7) Statistics from Statistics Iceland (*Hagstofan*) show that since the financial collapse in 2008 there has been a considerable decline in the income of media outlets. There was a sharp decline in 2007-2010 of approximately 25%. One of the main reasons for this was the decrease of advertising income.<sup>4</sup>
- (8) Moreover, according to the information from Statistics Iceland, the publishing of newspapers and magazines received 45% less income from advertising in 2016 than in 2006. The Icelandic authorities have explained that this is in part due to foreign social media and search engines increasing their share of income from advertising, which was previously received by Icelandic media.<sup>5</sup> Recent data from Statistics Iceland shows that this trend continues.<sup>6</sup>
- (9) Furthermore, according to Statistics Iceland, the number of employees in the media industry has decreased since 2013. In 2013, about 2000 people worked in the industry, by 2020 that number was down to around 900 (approx. 55% decrease since 2013).<sup>7</sup>
- (10) On 9 July 2020, by Decision No [087/20/COL](#) ESA approved a temporary media support scheme (“the temporary scheme”). The temporary scheme was intended to support private media entities in Iceland and respond to the sectors temporary financial difficulties caused by the outbreak of the COVID-19 pandemic. The temporary scheme was approved until 1 September 2020. At present, there is no aid scheme in Iceland for the support of productions or programmes by media outlets in Iceland.
- (11) According to the Icelandic authorities, most of the private media outlets in Iceland would continue to face financial difficulties without support, which in turn would lead them to either cease their activities or having to reduce their costs. A decrease in the number of different media outlets, in particular the number of local media outlets is considered to be detrimental to media diversity in Iceland. Furthermore, cost reductions would affect the quality of the media that is already operating with limited number of editorial staff or a lower number of editions.
- (12) Based on the above, and on the committee’s conclusions as set out in the Report, the Icelandic authorities have notified this measure.

### 3.2 Objective

- (13) The objective of the measure is to provide direct grants to private media outlets for the production of news, current affairs content and coverage of social issues.

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<sup>4</sup> Commentary to the proposed legislation, page 7. The Report, page 15.

<sup>5</sup> *Ibid.*

<sup>6</sup> Hagstofa Íslands. News 19 February 2021. Leiðrétt frétt. Tekjusamdráttur fjölmiðla 4% árið 2019 (Decrease in income of media of 4% in 2019). Available online:

<https://hagstofa.is/utgafur/frettasafn/midlun/17-samdrattur-auglysingatekna-fjolmidla-arid-2019/>.

<sup>7</sup> Hagstofa Íslands, “Starfandi fækkar í menningargreinum”, available online:

<https://hagstofa.is/utgafur/frettasafn/menning/starfandi-faekkar-i-menningargreinum/>.

- (14) The measure aims at improving the conditions for the operation of the private media outlets that have the democratic role of producing and delivering information to the public.

### 3.3 National legal basis

- (15) The national legal basis is the Act No. 58/2021 amending the Media Act No 38/2011 (“the Media Act”).<sup>8</sup> The conditions are set out in Regulation No. 770/2021 on subsidies for private media outlets (“the Regulation”).<sup>9</sup>

### 3.4 Aid granting authority

- (16) The measure will be financed through the State budget and the responsible ministry is the Ministry of Education, Science and Culture (“the Ministry”).
- (17) An independent Allocation Committee will be responsible for the processing of applications and the allocation of aid. According to the Media Act, the members of the Allocation Committee is nominated by the Auditor General. One of the members must have the qualifications for appointment as a District Court judge, another member is to be a statutory auditor and the third member is to have expert knowledge in media or media law.<sup>10</sup>
- (18) Together with the Allocation Committee, the Media Commission (*Fjölmiðlanefnd*)<sup>11</sup> will administer the applications and provide expert opinions during the process.<sup>12</sup>

### 3.5 Beneficiaries

- (19) The beneficiaries of the measure will be private media outlets, registered or with a licence to operate in Iceland, that produce news, current affairs content and coverage of social issues and fulfil the criteria for receiving compensation.<sup>13</sup>
- (20) The three production criteria are defined in the Regulation as follows:
- (i). News: regular dissemination/publication of stories of events or phenomena of all kinds, which concern the public in the opinion of the media outlet.
  - (ii). Current affairs content: news commentary, reports and discussions on topics in a broad sense from different areas of society that is high on the agenda in Iceland or abroad at any given time.
  - (iii). Coverage of social issues: all aspects of society that are relevant to the public, but do not need to be connected to current news.
- (21) Media outlets in the following [NACE](#) groups can be eligible:
- (i). Publishing of newspapers (J58.1.3).

<sup>8</sup> *Lög um fjölmiðla*, 20. April 2011, No. 38/2011, Available online at: <https://www.althingi.is/lagas/nuna/2011038.html>.

<sup>9</sup> *Reglugerð um rekstrarstuðning til einkarekinna fjölmiðla*. 29. June. 2021, No. 770/2021, Available online at: <https://www.reglugerd.is/reglugerdir/eftir-raduneytum/mennta--og-eningarmalaraduneyti/nr/0770-2021>.

<sup>10</sup> The Media Act, Article 62e.

<sup>11</sup> <https://fjolmidlanefnd.is/>.

<sup>12</sup> The Regulation, Article 3 and Article 7.

<sup>13</sup> The Regulation, Article 4.

- (ii). Publishing of journals and periodicals (J58.1.4).
- (iii). Radio broadcasting (J60.1.0).
- (iv). Television programming and broadcasting activities (J60.2.0).
- (v). News agency activities (J63.9.1).

(22) A “private media outlet” is defined as a media outlet that is not wholly or partially publicly owned. Media outlets owned by the Government, local authorities, public institutions, or by any company wholly owned by any such entities, will not be eligible for aid.

(23) The following eligibility criteria will apply for the private media outlets:

- (i). Media outlets must be registered or have a licence to operate under the Media Act and have operated continuously for at least 12 months with a license or registration from the Media Commission.
- (ii). The media outlet must employ at least three members of staff that are occupied full-time in the gathering and distribution of content. Local media outlets must employ one such member of staff.
- (iii). Print outlets must publish at least 20 issues a year. Online outlets, audio and audio-visual outlets and other comparable media outlets must distribute new content each business day for at least 20 weeks a year.
- (iv). The media outlet must submit annual reports to the Media Commission, containing information relating to the preceding year and provide satisfactory documentation and information regarding its ownership, including documented proof of beneficial ownership.
- (v). The media outlet must not be in arrears in respect of public charges, taxes and fiscal penalties due before the end of the preceding year.
- (vi). The media outlets employees’ salaries and rights must be in accordance with law and collective agreements.
- (vii). The media outlet must not have been in financial difficulties at the end of the preceding year within the meaning of Article 2 of General Block Exemption Regulation ([GBER](#)).<sup>14</sup>

(24) The Icelandic authorities estimate that around 35 to 40 private media outlets would be eligible for aid under the measure. The Icelandic authorities also expect the majority of the applicants to be local media outlets.

### **3.6 Aid instrument, intensity and eligible costs**

(25) The aid will be in the form of direct grants. The grants will be calculated based on the eligible costs of the beneficiary in the previous year.

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<sup>14</sup> 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), referred to at point 1j of Annex XV to the EEA Agreement, as amended by Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 and amending Regulation (EU) 702/2014 as regards the calculation of eligible costs (OJ L 156, 20.6.2017, p. 1), see Joint Committee Decision. No 185/2017.

- (26) The maximum aid intensity for each beneficiary is 25% of eligible operational expenses. Moreover, support for each applicant may not exceed 25% of the annual budget of the measure.
- (27) The measure compensates operational expenses. Eligible operational expenses are:
- (i). Direct labour expenses incurred for the work of journalists and reporters, editors and assistant editors, camera operators, photographers, folding persons and proof readers in relation to the gathering and distribution of news, current affairs content and the coverage of social issues.
  - (ii). Direct payments for contractual work to parties referred to in (i), for the gathering and distribution of news, current affairs content and the coverage of social issues.
- (28) The applications with supporting documentation must be submitted to the Allocation Committee by 1 August 2021 and 1 August 2022. The application must document eligible operating costs incurred by the media outlet in the preceding year.<sup>15</sup> The documentation must include the following information:
- (i). Staffing full time equivalents.
  - (ii). Number of contractors.
  - (iii). The total amount of payment to contractors for the preceding year.
  - (iv). Direct labour expenses incurred for the work of journalists and reporters, editors and assistant editors, camera operators, photographers, folding persons and proof-readers in relation to the gathering and distribution of news, current affairs content and the coverage of social issues.
- (29) The documentation must be verified by a statutory auditor.<sup>16</sup>
- (30) The Allocation Committee can further request the applicant to submit information, such as VAT declarations and accountancy data. It can also request information from the applicant's tax return and other officially verified data to find out the salaries for these employees. These records must also be verified by a statutory auditor.<sup>17</sup>
- (31) Furthermore, the board or the director of the media outlet must certify that information and documents submitted in connection with the application are consistent with the provisions of the Media Act and the Regulation.
- (32) The Icelandic authorities have confirmed that they will in the aid allocation letter require that the grant recipients must send a report to the Ministry on how the grants were allocated. The report must have been submitted in order to be able to apply for aid in 2022.

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<sup>15</sup> The Media Act, Article 62 f and Article 62 h.

<sup>16</sup> The Media Act, Article 62f.

<sup>17</sup> Ibid.

### **3.7 Budget and duration**

- (33) The maximum annual budget of the measure is ISK 392 million (approx. EUR 2.6 million). This includes the administrative costs for processing applications. The total budget of the measure is ISK 724 million (approx. EUR 4.8 million).
- (34) According to the Icelandic authorities, no compensation will be granted under the measure after 31 December 2022.

## **4 Presence of state aid**

### **4.1 Introduction**

- (35) 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.”
- (36) 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 Presence of state resources**

- (37) The measure must be granted by the State or through State resources.
- (38) The measure will be financed through the State budget and will be administered by the Ministry of Education, Science and Culture, and the Allocation Committee together with the Media Commission. The measure is therefore financed through State resources and imputable to the State.

### **4.3 Conferring an advantage on an undertaking**

- (39) The measure must confer on certain undertakings an advantage that relieve them of charges that are normally borne from their budgets.
- (40) The measure provides private media outlets 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.

### **4.4 Selectivity**

- (41) The measure must be selective in that it favours “certain undertakings or the production of certain goods”.
- (42) The measure is selective as it is only available to certain undertakings, i.e. private media outlets that fulfil the eligibility criteria set out in paragraph (23) above.

### **4.5 Effect on trade and distortion of competition**

- (43) The measure must be liable to distort competition and to affect trade between the Contracting Parties to the EEA Agreement.
- (44) The sectors in which the beneficiaries are active are subject to intra-EEA trade and the measure is therefore liable to distort competition and affect trade.

#### 4.6 Conclusion

- (45) 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 Lawfulness of the aid

- (46) 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."
- (47) The Icelandic authorities have notified the measure and have confirmed that no aid has been or will be granted prior to ESA's approval.<sup>18</sup> They have therefore complied with their obligations under Article 1(3) of Part I of Protocol 3.

#### 6 Aid scheme

- (48) ESA notes that the legal basis of the measure is an act, which does not require further implementing measures for the granting of the aid and which identifies the beneficiaries in a general and abstract manner.<sup>19</sup> The aid is therefore granted on the basis of an aid scheme.

#### 7 Compatibility of the aid

##### 7.1 Introduction

- (49) 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 invoke Article 61(3)(c) of the EEA Agreement as the basis for the assessment of the compatibility of the aid measure.
- (50) 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.<sup>20</sup>
- (51) 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.
- (52) 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

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<sup>18</sup> Document No 1222436.

<sup>19</sup> See 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").

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

measure at hand, ESA will therefore assess the measure directly under Article 61(3)(c) of the EEA Agreement.

## **7.2 Facilitation of development of certain economic activities or areas**

### *7.2.1 Economic activities or areas supported*

- (53) 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.
- (54) The measure aims at strengthening private media outlets that produce news, current affairs content and coverage of social issues. By partially compensating the outlets operational expenses, the measure addresses the considerable decline in the income of private media outlets. The measure thereby also contributes for the private media sector to continue and to develop its activities and adapt to market developments.
- (55) ESA further notes that the aid will not only benefit the private media outlets, but by ensuring media diversity, it also benefits the general public. The measure will in effect contribute to the strengthening of the media's democratic role of producing and delivering information to the public.
- (56) For these reasons, ESA considers that the notified measure facilitates the development of the economic activities of private media outlets, as required by Article 61(3)(c) of the EEA Agreement, and ensures media pluralism and media diversity.

### *7.2.2 Incentive effect*

- (57) State aid is only compatible with the functioning of the EEA Agreement if it has an incentive effect and 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.
- (58) The measure covers part of the operational costs of the private media outlets and therefore also decreases the risk of the media outlets ceasing their activities or having to reduce their costs to the detriment of the quality of the production.
- (59) Absent the measure, the shortage of liquidity on the market for private media outlets is expected to remain, see paragraphs (6), (8) and (11) above. The measure therefore ensures that these media outlets remain in business and prevents them from having to further reduce costs, which could negatively affect the quality of the media outlets that are already operating with very limited numbers of editorial staff or a low number of editions.
- (60) In view of the above, ESA considers that in the absence of the notified measure, many private media outlets would not remain in business 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

- (61) 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.<sup>21</sup>
- (62) ESA has no indications that the measure, the conditions attached to it or the activities it finances, are incompatible with relevant EEA law.

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

### 7.3.1 Introduction

- (63) ESA must not only identify positive effects of the planned aid for the development of the abovementioned economic activities and economic areas, but also possible negative effects that it may have in terms of distortions of competition and adverse effects on trade. These positive and negative effects must then be weighed up.

### 7.3.2 Markets affected by the aid

- (64) The market affected by the aid is the Icelandic national and local market for media production and services.

### 7.3.3 Positive effects of the aid

- (65) According to the Icelandic authorities, the conditions for the operation of private media outlets in Iceland have deteriorated considerably in recent years. The notified measure aims to support the media outlets to continue and develop their activities and to adapt to market developments.
- (66) The intended positive effects of the partial compensation of operational costs are manifold.
- (67) First, it contributes to the development of private media outlets by supporting media outlets that are facing financial difficulties.
- (68) Second, it contributes to enhance media plurality and diversity by ensuring that private media outlets, especially local media, can remain in business.
- (69) Third, ESA takes into account that the measure supports an objective that is recognised as a fundamental value in 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.<sup>22</sup> Furthermore, the European Union also recognises pluralism of media as one of its fundamental values.<sup>23</sup>

<sup>21</sup> 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 51–51.

<sup>22</sup> UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions was signed in Paris on 20 October 2005. It was ratified by Norway and accepted by Iceland. The European Union also acceded to the convention. See specifically, Article 6(1) and 6(2)(h) of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

<sup>23</sup> OJ C 306, 17.12.2007, p.1, Article 1(a).

### 7.3.4 Limited negative effects of the aid

#### 7.3.4.1 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.
- (71) The notified measure will primarily support private media outlets that are small and local in nature.
- (72) Newspapers 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, Icelandic newspapers, whether printed or online, cannot in general be considered substitutable with foreign papers. It is unlikely that publications in another language would be real substitutes and in turn that subscribers or advertisers would switch between them due to the aid.
- (73) Furthermore, the measure has a limited budget and the aid is limited to 25% of the eligible costs of the beneficiaries, see paragraph (26).
- (74) Against this background, ESA considers that the notified measure will only lead to very limited distortions of competition resulting from aid to private media outlets.

#### 7.3.4.2 Necessity of the aid

- (75) A state aid measure is necessary if it is targeted towards situations where aid can bring about a material improvement that the market cannot deliver itself.
- (76) The Icelandic authorities have highlighted that income from advertisement and subscriptions have decreased significantly in recent years, resulting in considerable financial difficulties to the media outlets. The challenges to the private media outlets and their financing model are so serious that State aid is needed, in order for private media outlets to be able to continue to create and develop professional editorial content and to maintain media pluralism.
- (77) The aid under the measure is limited and necessary to finance the private media outlets in Iceland. Without the aid, the media outlets would have to reduce their costs or be forced to run out of business. Hence, the aid has a direct impact on the quality of media productions and affects the media activities.
- (78) ESA notes that the media outlets that will be eligible for support operate in small national or local markets in Iceland. Given their limited audience, their ability to attract advertising and subscription income is very limited. Moreover, given the small circulation it is difficult for these media outlets to dilute fixed costs and to reach economies of scale.
- (79) The support is therefore necessary to cover the extra costs incurred to maintain a high proportion of editorial content or to shift from advertising to editorial content. ESA notes in this regard that the support would also facilitate the possibility of the media outlets to increase or retain their staff.
- (80) For these reasons, ESA finds that the measure is necessary for the private media outlets to continue or shift towards the production of more editorial content and increase or retain their staff.

#### 7.3.4.3 Appropriateness of the aid

- (81) 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.
- (82) 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.
- (83) As mentioned in paragraphs (3) and (4) above, the Icelandic authorities engaged a committee of experts to examine the conditions for operating media outlets and media services in Iceland. Based on the conclusions and suggestions in the committee's report, the Icelandic authorities considered different measures. Considering the seriousness of the declined market development, the Icelandic authorities concluded that it was necessary to directly address the lack of profitability with financial support.
- (84) Moreover, in preparation for the measure the governmental experts examined how other Nordic countries provide financial assistance to the private media.<sup>24</sup> The experts found that financial support, as presented in the adopted amendments to the Media Act, was the most appropriate way to address the market imbalance and foster the plurality and diversity of the media in Iceland.
- (85) Based on the above, ESA finds that the Icelandic authorities have demonstrated that they have considered whether alternative policy options or less distortive measures could be as efficient to achieve the same outcome, before arriving at the notified measure. ESA therefore considers that the measure is appropriate and suitable to contribute to the development of the private media outlets in Iceland.
- (86) In view of the above, ESA considers that state aid is the appropriate instrument to facilitate the development of the economic activities of private media outlets.

#### 7.3.4.4 Proportionality of the aid

- (87) 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.
- (88) The notified measure supports certain operational costs of the private media outlets, namely costs of personnel, either salary paid to employees or costs paid in respect of independent contractors. The support is limited to a maximum of 25% of the eligible costs. This aid ceiling is intended to ensure that the largest media outlets do not benefit from the measure disproportionately.
- (89) Furthermore, if the total amount of accepted applications exceeds the total amount of the annual budget, support to each applicant will be reduced in equal

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<sup>24</sup> The Report, chapter 7, and the Commentary to the proposed amendments to the Media Act pages 7-19.

proportions. The maximum ceiling of 25% together with the budgetary limits ensure that the individual aid intensities will be limited to the minimum needed to incentivise the activity.

(90) Therefore, ESA considers the measure to be proportionate.

#### 7.3.4.5 Conclusion on limited negative effects

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

#### 7.3.5 *Balancing positive and negative effects of the aid*

(92) 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.

(93) On the negative side, ESA notes that the measure is liable to strengthen the competitive position of the supported media outlets, as opposed to their competitors. However, ESA considers that the notified measure is designed in such a way to minimise the potential distortion of competition arising from the measure and to limit the adverse effects on trade. In this regard, ESA notes that the measure has: (i) low aid intensities, (ii) a small budget, (iii) affects a small market, and (iv) has a limited duration (two years). Moreover, the application procedure will be operated in a fair, open and transparent manner, ensured by an independent Allocation Committee, which will process the applications together with the expertise of the Media Commission, see paragraphs (23) and (28) to (32) above.

(94) Furthermore, it follows from sections 7.3.4.3 and 7.3.4.4 above that the measure is considered proportionate and appropriate, which softens the negative impact on competition and trade that the aid might have. The support is also considered to be necessary and appropriate to facilitate the development of the economic activity at stake. Therefore, the measure is considered to have limited distortive effect on competition.

(95) On the positive side of the balance, ESA notes that the measure will facilitate the development of the production of news, current affairs content and coverage of social issues. Moreover, the measure will have positive effects in terms of preserving and promoting fundamental values such as freedom of expression, freedom of information, media literacy, diversity and pluralism.

(96) ESA concludes that the positive effects of the measure outweigh possible distortions of competition and adverse impact on trade. Therefore, 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 any aid award exceeding EUR 100 000 per beneficiary will be published in the [transparency register](#).

(98) Therefore, the measure fulfils the transparency requirements.

## 8 Conclusion

- (99) On the basis of the foregoing assessment, ESA considers that the grant scheme for private media outlets constitutes 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)(c), it has no objections to the implementation of the grant scheme for private media outlets in Iceland.
- (100) 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,

Bente Angell-Hansen  
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Countersigning as Director,  
Legal and Executive Affairs

*This document has been electronically authenticated by Bente Angell-Hansen, Melpo-Menie Josephides.*