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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Communication from the Commission
Commission Regulation

Guidelines on State aid in the agriculture and forestry sectors and in rural areas

and

Commission Regulation declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union

{C(2022) 9120 final} - {C(2022) 9131 final} - {SEC(2022) 442 final} -
{SWD(2022) 418 final}

Executive Summary Sheet
Impact assessment on the revision of the State aid rules for the agriculture and forestry sectors and for rural areas
A. Need for action
What is the problem and why is it a problem at EU level?
The following problem areas have been identified for the revision of the State aid rules for the agriculture and forestry sectors and for rural areas (comprised of a sector-specific block exemption Regulation known as “ABER” and Guidelines): (i) there is a risk, that the objectives of the reformed Common Agricultural Policy (CAP) and the Green Deal cannot be fully attained with the current rules; (ii) the rules are not fit for the evolving context; (iii) there are unnecessary administrative costs, both for Member State authorities and for the Commission; and (iv) individual aid grants are not sufficiently transparent and not in line with horizontal State aid rules. The State aid rules for the agriculture and forestry sectors and for rural areas apply across the EU.
What should be achieved?
The general objective is to have State aid rules in the fields of agriculture, forestry and rural area in place, which, at reduced administrative costs contribute to achieving CAP and Green Deal objectives without unduly distorting competition. To this end, the revision will pursue three specific objectives: (i) ensure the effectiveness of State aid rules, providing for alignment with horizontal provisions, legal certainty and appropriate competition safeguards; (ii) consistency with the CAP and Green Deal objectives; and (iii) administrative simplification.
What is the value added of action at the EU level (subsidiarity)?
The subsidiarity principle does not apply as the Commission has an exclusive competence in the field of State aid compatibility.
B. Solutions
What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?
The impact assessment report sets out two policy options: 1) Option 1: Adaptation to the future CAP legal framework, alignment to animal health legislation, lowering of publication thresholds, alignment with horizontal State aid provisions, simplification and ABER extension “light”: Besides a closer alignment to the new legal framework of the CAP, this option would introduce in the Guidelines a simplified approach for measures co-financed under the CAP (the so-called compatibility presumption clause); Under option 1, the scope of the ABER would be extended to cover all forestry measures, whether co-financed under the CAP or not, and aid for the compensation of damage caused by protected animals; The procedural requirements of the ABER would be aligned to the ones of the GBER; The threshold for publication of individual aid grants would be lowered from the current EUR 500 000 to EUR 100 000 (in line with recent horizontal State aid legislation) and from the current EUR 60 000 to EUR 10 000 for the sector of primary agricultural production; State aid rules would be aligned to the EU animal health legislation in force; Option 1 would introduce the possibility to use simplified costs options also in the Guidelines; It would moreover provide for an exception from the condition to submit a counterfactual scenario for small municipalities;

2) Option 2: Option 1 plus further changes in favour of the attainment of Green Deal objectives plus full ABER extension:

Additionally, under option 2, maximum aid amounts for commitments in favour of environment, climate and animal welfare would be replaced in the Guidelines by maximum aid intensities for additional costs and income foregone; The possibility of result-based approaches, such as carbon farming schemes, would be introduced; The scope of eligible costs in relation to damage caused to farmers by wild animals would be increased; Aid in relation to damage caused by invasive alien species would be included; Higher incentives for aid in relation to forest ecosystem services would be made possible; Option 2 would furthermore include aid for the restoration and maintenance of natural habitat for plants and fungi in the forestry sector; As regards the ABER, its scope would be extended under option 2 to cover all measures with simplification potential (for which the Commission has gained sound case experience), representing close to 50% of all measures, which currently have to be notified;

For both policy options, two sub-options are also explored, namely:

Sub-option 1a and 2a: Lowering of publication thresholds only for activities outside primary agricultural production and

Sub-option 1b and 2b: Lowering of the loss threshold for adverse climatic events to 20%;

The preferred option is option 2, since it scores altogether highest in all categories (effectiveness of State aid rules, consistency with the new CAP and the Green Deal, administrative simplification for Member State authorities and Commission services and impact on SMEs).

What are different stakeholders' views? Who supports which option?

Member State authorities, who will be the most affected by the proposed policy options, voiced their concern about the additional administrative burden to be expected from the proposed lowering of publication thresholds (included in all options, but to a lesser degree in sub-options 1a and 2a). At the same time, they welcomed the envisaged extension of the scope of the ABER (foreseen by option 1, 1a and 1b and to a wider extent under option 2, 2a and 2b) and the compatibility presumption clause, present in all options. The Fit for Future Platform (which also represents the SME network) advocated for a stronger alignment of State aid rules to green policies (present in all options, but most pronounced in options 2 and 2a) and at the same time asked for an alignment of the loss threshold for adverse climatic events with the CAP Regulation (sub-options 1b and 2b would respond to this request).

C. Impacts of the preferred option

What are the benefits of the preferred option?

The preferred option would increase transparency in State aid control and it would align the ABER and Guidelines to horizontal State aid provisions. This, in turn, would increase the effectiveness of State aid rules in agriculture, forestry and rural areas. The preferred option would contribute better to attaining the objectives of the new CAP and the Green Deal. It would bring about considerable administrative simplification, in particular for Member State authorities and for Commission services.

What are the costs of the preferred option?

The preferred option would result in higher administrative costs for Member State authorities to comply with new transparency requirements. These costs should, however, be by far offset by the benefits expected from the extension of the ABER, the introduction of the compatibility presumption clause in the Guidelines and other simplification steps included in the preferred option.

What are the impacts on SMEs?

The preferred option would have a positive impact on SMEs. Faster State aid procedures mean faster access to aid. This is in particular relevant for SMEs, whose access to finance is often limited. SMEs will benefit to a higher extent from the envisaged extension of the scope of the ABER than large undertakings, as many of the measures included in the ABER are limited to SMEs.

Proportionality?

The proposed policy options are proportionate, as they do not go beyond what is necessary to achieve the objectives set under this initiative.

D. Follow up**How will the impacts be monitored and evaluated?**

The new ABER is set to expire in 2029, which means that an evaluation of the ABER (and also the Guidelines) would be carried out before the end of 2028; Enhanced transparency under the preferred option should have a positive impact on State aid control and should improve data availability at the level of individual beneficiaries; Data collection for a future evaluation should furthermore be possible from the *ex-post* monitoring based on a sample of existing aid schemes, which Commission services perform on a yearly basis; Furthermore, the Commission has the possibility to require an *ex post* evaluation of State aid schemes with high risks of potential distortions of competition; The State Aid Scoreboard, which provides information on the overall situation of State aid in each Member State, is another important tool for the monitoring and evaluation exercise of the Commission.