



EUROPEAN COMMISSION

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PUBLIC VERSION
WORKING LANGUAGE
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**Subject: State aid N 466/2006 –Estonia
Regional aid map 2007-2013**

Sir,

1. PROCEDURE

1. By electronic notification dated 14 July 2006, registered at the Commission on the same day, the Estonian authorities notified to the Commission their regional aid map for the period 1.1.2007 – 31.12.2013.
2. On 21 December 2005, the Commission adopted the Guidelines on National Regional Aid for 2007-2013¹ (hereinafter “RAG”). Pursuant to paragraph 100 of the RAG, each Member State should notify to the Commission, in accordance with Article 88(3) of the EC Treaty, a single regional aid map covering its entire national territory. In accordance with paragraph 101, the approved regional aid map is to be published in the Official Journal of the European Union, and will be considered an integral part of the RAG.

2. DESCRIPTION

3. In their notification the Estonian authorities propose that for the period 2007-2013 the whole country should be eligible to receive regional investment aid at

¹ Guidelines on national regional aid for 2007-2013 (OJ C 54, 4.3.2006, p. 13).

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a maximum aid intensity of 50% GGE², with the exception of North Estonia (including Tallinn), where the maximum aid intensity of 40% GGE should apply.

4. The proposed aid ceilings are those for investments by large enterprises. For medium-sized enterprises these aid ceilings can be increased³ by 10 percentage points and for small enterprises by 20 percentage points⁴.
5. In the notification the Estonian authorities indicate that it is necessary to differentiate between the regional aid ceilings because there are clear differences in economic development between North Estonia and other parts of Estonia. Furthermore, such a differentiation between regional aid ceilings is being applied currently till the end of 2006, thus, the Estonian authorities want to ensure the continuity in their regional policy.
6. The Estonian authorities have submitted the following data to illustrate the differences in regional development in Estonia:

GDP per capita, % of national average (2003)

| | |
|--------------------|-------|
| Total Estonia | 100.0 |
| North Estonia | 153.2 |
| Central Estonia | 68.5 |
| North-East Estonia | 59.4 |
| West Estonia | 70.0 |
| South Estonia | 68.0 |

3. ASSESSMENT

3.1. 87(3)(a) regions: proposed for the whole period 2007-2013

7. Estonia consists of one single NUTS⁵ level II geographical unit with a per capita gross domestic product (GDP), measured in purchasing power standard (PPS) of 44.94 % of the EU-25 average for the years 2000-2002⁶. The whole territory of the country is therefore eligible for national regional state aid under Article 87(3)(a) of the EC Treaty.
8. In accordance with paragraph 44 of the RAG, the maximum aid intensity of regional aid for regions falling under Article 87(3)(a) must not exceed 50% GGE for regions with less than 45% of average EU-25 GDP per capita, which is the case of Estonia. Therefore, the notified aid ceilings are in accordance with the RAG.

² GGE: Gross Grant Equivalent.

³ Except for aid awarded in the transport sector and aid for large investment projects.

⁴ For the definition of SME's see the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36) or any successor document.

⁵ Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

⁶ The most recent EUROSTAT data available at the moment of the adoption of the RAG.

3.2. General provisions of the map

9. In accordance with paragraph 49 of the RAG, except for aid awarded in the transport sector, the preceding aid ceilings can be increased by 10% GGE for medium-sized enterprises and 20% GGE for small enterprises. However, in accordance with paragraph 67 of the RAG no SME bonuses are allowed for investment projects with eligible expenditure exceeding EUR 50 million.
10. The Commission recalls that in accordance with paragraph 8 of the RAG, these maximum aid intensities apply to the processing and marketing of agricultural products only to the extent laid down in the Community guidelines for State aid in the agriculture sector⁷, or any replacement guidelines.
11. The Commission takes note of the following commitments undertaken by the Estonian authorities in the notification:
 - (a) The Estonian authorities confirmed that all intentions to grant regional aid will be notified to the Commission in accordance with Article 88(3) of the Treaty, either as an aid scheme, or as an individual notification unless a block exemption regulation applies.
 - (b) The Estonian authorities confirmed that all regional investment aid will respect the maximum aid intensities of the region concerned as defined in the regional aid map published by the Commission pursuant to this notification.
 - (c) The Estonian authorities confirmed that for large investment projects the maximum aid intensities of the region concerned as defined in the regional aid map published by the Commission pursuant to this notification will be adjusted according to the formula in paragraph 67 of the RAG.
 - (d) The Estonian authorities confirmed that all large investment projects, for which the amount of aid proposed is more than the maximum allowable amount of aid an investment with eligible expenses of EUR 100 million can receive under the adjusted regional aid ceiling as laid down in the scaling down mechanism as described in paragraph 67 of the RAG, will be notified individually to the Commission.

3.3. Appropriate measures

12. By letter of 6 March 2006, reference D/51849, the Commission proposed to the Estonian authorities, *inter alia*, to limit the application of their existing regional aid schemes until 31 December 2006. The Estonian authorities accepted these appropriate measures unconditionally by letter dated 30 May 2006, registered at the Commission on 6 June 2006, reference A/34363.

⁷ OJ C 28 of 1.2.2000, p.2. Corrigendum OJ C 232, 12.8.2000 p. 17.

4. DECISION

13. The Commission has accordingly decided:

- to consider the Estonian regional aid map for 2007-2013 as set out in the Annex to be compatible with the EC Treaty as it fulfils the conditions as stipulated in the Guidelines on national regional aid for 2007-2013. This map is valid from 1 January 2007 until 31 December 2013.
- to publish the map as presented in the Annex to this decision in the Official Journal of the European Union. The full text of this letter in the authentic language will be published on the Internet site: http://ec.europa.eu/community_law/state_aid/index.htm

Any request concerning this letter should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
Directorate for State Aid I
State Aid Greffe
B – 1049 Brussels
Fax No: 0032.2.296 12 42

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission

Guidelines on National Regional aid for 2007-2013

(OJ C 54, 4.3.2006, p. 13)

ESTONIA - National regional state aid map 1.1.2007-31.12.2013

(Approved by the Commission on 13.09.2006)

| Zone Code | Zone Name | Ceiling for regional investment aid ¹ (applicable to large enterprises) |
|-----------|-----------|---|
|-----------|-----------|---|

1. Regions eligible for aid under Article 87(3)(a) of the EC Treaty until 31.12.2013

| | | |
|-------|-------------|-----|
| EE | ESTONIA | |
| EE001 | Põhja-Eesti | 40% |
| EE004 | Lääne-Eesti | 50% |
| EE006 | Kesk-Eesti | 50% |
| EE007 | Kirde-Eesti | 50% |
| EE008 | Lõuna-Eesti | 50% |

¹ For investment projects with eligible expenditure not exceeding EUR 50 million, this ceiling is increased by 10 percentage points for medium sized companies and 20 percentage points for small companies as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36). For large investment projects with eligible expenditure exceeding EUR 50 million, this ceiling is subject to adjustment in accordance with paragraph 67 of the Guidelines on national regional aid for 2007-2013.