



EUROPEAN COMMISSION

Bryssel den 09.XII.2004
C(2004)4978

**PUBLIC VERSION
WORKING LANGUAGE**

**This document is made available for
information purposes only.**

Subject: State aid No N 312/2004 – Sweden
'Support for establishment of waste sorting facilities'

Sir/Madam,

1. PROCEDURE

By letter dated 19 July 2004, registered at the Commission's Secretariat-General 26 July 2004 (SG/2004/8103), the Swedish authorities notified the Commission, in accordance with Article 88(3) EC Treaty, of the proposed aid scheme. By letter dated 10 August 2004 (D/55865), the Commission asked for additional information, which was received by letter dated 21 October 2004 (A/11380), registered 26 October 2004.

2. DESCRIPTION OF THE NOTIFIED SCHEME

At present, certain household waste (such as packing, paper to be recycled, electrical and electronic products, batteries and other dangerous waste) is normally not collected at the apartment blocks in which the households are located. Different materials are often collected at different places, usually at business centres, petrol stations or at bigger recycling centres. The notified scheme aims to stimulate the establishment of waste sorting facilities in, or in direct connection with, existing residences with several households. The objective is to create better conditions for the waste sorting of these households in order to increase the conditions for a better waste management. The sorting of waste enables an appropriate environmental protection for each type of waste. Recyclable material (such as packaging and paper) can be treated so that resources are saved. Dangerous material (such as batteries and electric appliances) can, after it has

Statsrådet Laila FREIVALDS
Chef för Utrikesdepartementet
Arvfurstens palats
Gustav Adolfs torg 1
SE – 103 23 STOCKHOLM

been sorted, be stored in an environmentally satisfactory manner so that damage to the physical environment is prevented.

The aid intensity will be 30 % of the material and labour costs¹ of the property owner for the establishment of a waste sorting facility. A ceiling of the aid amount is set at SEK 100 000 (ca €11 000) per waste sorting facility. Only necessary costs for the facility will be eligible for aid. In addition, the following three criteria have to be fulfilled if aid is to be granted:

1. The facility must lead to an improved service level for the house-holds with regard to waste sorting.
2. The facility must enable the households to sort, as a minimum: paper for recycling, packaging products, household batteries, electrical appliances and electronic waste and other dangerous waste, in or in connection to the property.
3. The establishment of the facility must be carried during the period from 1 January 2005 to 30 June 2006.

If these conditions are not met after the aid has been granted, the aid will be recovered by the County Administrative Board. Moreover, the aid will only be granted if the waste sorting facility is not supported by other aid schemes.

As a consequence of the establishment of a waste sorting facility, costs for information to the households about the waste sorting and salary to cleaning staff are expected to increase. In addition, the waste collection fee which is paid to the municipalities who are responsible for the waste collection will in most cases be raised. This is due to the fact that the municipalities' costs for waste collection normally will be higher when the waste is sorted in or in connection with each property instead of at certain bigger collection points. Nevertheless, in some municipalities the waste collection fee takes into account the amount of unsorted waste and in these cases the fee might decrease. Thus, the effect on the operating costs depends on to what extent the waste is sorted and on whether the collection fee takes the sorting into account. In order to avoid that the scheme results in any overcompensation, the Swedish authorities have undertaken to ensure that potential cost savings of the beneficiaries during the first five years after the establishment of the waste sorting facility will be deducted from the eligible costs before the aid is paid.

Before the start of the establishment of the waste sorting facility, the property owner shall submit an application for support to the County Administrative Board who will assess whether aid should be granted. The application should contain information regarding, for example, the designation of the property, a specification of the planned investments in waste sorting facility and documents supporting the requested aid. In cases where a construction permit is required, a copy of that permit must also be submitted to the County Administrative Board. The County Administrative Board decides on the aid amount and will thereafter forward the information to the National Board of Housing, Building and Planning. After the facility is completed and supporting information (invoices and an agreement proving that collection of the sorted waste is done from the property) is sent to and approved by the National Board of Housing, Building and Planning, the tax account of the beneficiary will be credited.

¹ Collection containers will not be eligible for support, as these are often rented from the collection company and, thus, constitute operating costs.

The Swedish authorities estimate that 1 000 to 3 000 property owners will benefit from the scheme. Between 4 500 and 7 000 waste sorting facilities are expected to be co-financed through the scheme.

Only owners of *existing* properties containing residences for several households can benefit from the scheme. If essential changes are carried out in the property, the cost of the waste sorting facility is not eligible for support. The reason for this is that upon the construction of new property, the expansion of existing property or when essential changes are carried out in an existing property, the owners are obliged under national regulations² to set up a waste sorting facility in connection to the property in question at their own expense.

Aid under this scheme will be granted for waste sorting facilities which are established during the period from 1 January 2005 to 30 June 2006. The budget of the scheme is in total SEK 400 million (ca €44 million), whereof SEK 270 million for 2005 and SEK 130 million for 2006.

3. ASSESSMENT

The Swedish authorities have fulfilled their obligation according to Article 88(3) of the EC Treaty by notifying the measure before its implementation.

3.1 Presence of state aid under Article 87(1) of the EC Treaty

The Commission has assessed the notified scheme on the basis of Article 87(1) of the EC Treaty. That Article states that any aid granted 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, insofar as it affects trade between Member States, be incompatible with the common market.

The aid scheme results in a loss of state revenue, thus, it is financed from state resources. It will strengthen the position of owners of existing property containing several households in comparison with other property owners, which may lead to a change in the market conditions for its competitors. Thus, it provides the companies participating in the programme with an advantage. The advantage is limited as most of the aid will not exceed the *de minimis* level of €100 000 over a period of three years. Nevertheless, some of the beneficiaries are large property owners and it is likely that those will receive support for many waste sorting facilities, i.e. the support will exceed the *de minimis* level. In general, the real estate market is locally limited, and it is, thus, doubtful whether the aid scheme will affect trade between Member States. Nevertheless, statistics indicate that the real estate market in Sweden is today characterised by significant foreign investment activities³. This has also been the view taken by the Commission in previous decisions⁴. In addition, some property owners are active on markets in which trade between Member States

² Regulation BFS 1995:17 by the National Board of Housing, Building and Planning (last published in 2002:19, point 3:332)

³ Real Estate - A liquid, transparent and efficient property market; Invest in Sweden, Invest in Sweden Agency, Editor: Björn Bergstrand, February 2003, p. 4-7, 26. See also Cross-border Real Estate Investment, More Capital Targeting Europe, Jones Lang Lasalle, August 2002, p 2.

⁴ See for example N 40/2003 'Measures to promote certain house building' – SE – OJ C 284, 27.11.2003, p. 2, and N 635/2002 'Treatment of polluted areas' – SE – OJ C 67, 17.3.2004, p. 12.

exists⁵. It can, thus, not be excluded that the aid will affect trade between Member States.

Therefore, the scheme constitutes State aid in the meaning of Article 87(1) of the EC Treaty.

3.2 Compatibility of the aid under Article 87(3)(c) of the EC Treaty

The Commission has assessed the possibility of granting an exemption under Article 87(3)(c) of the EC Treaty for the part of the scheme that constitutes State aid. The basis of such an exemption would be the Community guidelines on State aid for environmental protection⁶ (hereinafter referred to as the 'Environmental guidelines'), in particular section E.1 on rules applicable to investment aid. According to point 29 of those guidelines, aid may be authorised up to a maximum of 30 % where firms undertake investments in the absence of mandatory Community standards. In point 36, it is stated that the investments which can be authorised are, for example, investments in buildings, plant and equipment intended to reduce or eliminate pollution and nuisances. The costs which are eligible for such aid are defined in point 37 of the same guidelines. In that point, it is, inter alia, set out that eligible costs must be confined strictly to the extra investment costs necessary to meet the environmental objectives and that in all cases eligible costs must be calculated net of the benefits accruing from any increase in capacity, cost savings engendered during the first five years of the life of the investment and additional ancillary production during that five-year period. Where neither national nor Community standards exist, eligible costs consist of the investment costs necessary to achieve a higher level of environmental protection than that which the firms would achieve in the absence of any environmental aid.

The Commission finds that an exemption can be granted for the following reasons:

- A maximum of 30 % of the eligible costs will be granted up to a ceiling of SEK 100 000.
- The investment concerns buildings and aims at creating better conditions for the waste sorting of these households in order to improve the conditions of waste management.
- Only strictly necessary costs for labour and material will be eligible under the scheme. The Swedish authorities have ensured that possible reductions of the waste collection fee during the five years following the granting of the support will be taken into account.
- There are neither Community nor national standards applying to the beneficiaries in question; they will establish the waste sorting facilities voluntarily.

Consequently, the notified scheme is in line with the Environmental guidelines.

⁵ For example, it is not unusual that insurance companies own property.

⁶ OJ C 37, 3.2.2001, p.3

4. CONCLUSION

The Commission has accordingly decided that the investment aid of 30 % of the eligible costs up to a maximum of SEK 100 000 constitutes State aid within the meaning of Article 87(1) of the EC Treaty. However, the Commission concludes that the State aid is compatible with the common market in accordance with Article 87(3)(c) of the EC Treaty and Article 61(3)(c) of the EEA Agreement.

The Swedish authorities are requested to provide the Commission annually with a report on the implementation of the aid. Any change in the conditions under which the aid is granted must be notified in advance.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/community_law/state_aids/index.htm

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition, State Aid Registry
B-1049 Brussels
(Fax No.: 00 32 2 296 1242)

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission