EUROPEAN COMMISSION

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Subject: State Aid SA.50217 (2018/N)– Sweden
Swedish Eco-bonus scheme for short sea shipping and inland waterway transport

Madam,

1. PROCEDURE

(1) By electronic notification dated 13 July 2018 the Swedish authorities notified an aid scheme in support of the modal shift from road to sea and inland waterways (the ‘scheme’) to the Commission. The notification was registered under the case number SA.50217.

(2) The Commission has requested further information from the Swedish authorities by letters dated 13 August 2018 and 21 September 2018, which were provided by the Swedish authorities on 31 August 2018 and 3 October 2018.

2. DESCRIPTION OF THE MEASURE

2.1. Objective

(3) The measure aims at encouraging the modal shift of freight transport from road to sea and inland waterways by reducing long distance lorry journeys. Thus, the scheme will contribute to decrease emissions of air pollutants and greenhouse gases.
The measure is part of an initiative to help Sweden on its way to become a fossil-fuel free State in the future. In order to achieve a fossil-fuel free transport sector and to meet established climate targets, efforts are being made to support vehicles, vessels and aircrafts to become more energy-efficient, to increase the use of biofuels and electric power as an energy source in transport and to encourage a modal shift of freight transport away from road to rail and water.

2.2. Legal basis

The aid scheme "Ordinance concerning environmental compensation for shifting the carriage of goods from road to sea" will be issued pursuant to Chapter 8, Section 7 of the Instrument of Government (General Administrative Law).

2.3. Budget and duration

The scheme has been allocated an overall budget of SEK 150 million. The scheme will be valid from the present approval until 31 December 2020.

2.4. Beneficiaries and conditions for granting the aid

The beneficiaries under the scheme are all ship-owners who:

(a) Carry out shipping operations using vessels that have been entered in a shipping register in a Member State of the European Economic Area ("EEA"); and

(b) are established in an EEA country; and

(c) which load or unload goods at least once at a Swedish port during the service in question.

Under the scheme, aid will be granted for projects presented by ship-owners concerning new maritime as well as inland waterway transport routes or the upgrade of services on existing ones. A route is considered to be new if it has not been operated prior to the decision of the Swedish Transport Administration granting the aid. The upgrade of services on an existing route includes any measure to attract new customers or to increase cargo volume and which has not been implemented prior to the decision of the Swedish Transport Administration granting the aid. Such measures may include, for example, measures to increase the capacity or transport frequency or to reduce the overall transport time. Financial support cannot be granted for measures which aim to ensure compliance with already existing rules and standards.

The applicants must demonstrate in their application for aid for new routes and the upgrade of services on existing ones that goods' transport will be shifted from road to sea and/or inland waterways, by providing expected volumes of goods shifted. For the upgrade of existing services, the applicants must additionally show in what way the upgrade contributes to transferring goods from road to sea and/or inland waterways.

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The application must be accompanied by a presentation of the pre-established environmental impact of the project, which will be validated by an external consultant commissioned by the Swedish Transport Administration. The environmental effects will be calculated using a method established by the Network for Transport Measures\textsuperscript{2} (NTM calc) to determine emissions and other external effects from goods transport. Based on parameters set for each case, the model calculates the environmental effects for each transport mode. The parameters include information such as type of vehicles/vessels, ship size and weight, transport distance, filling grade and type of fuel. In addition, the energy consumption is calculated and the results are compared.

Aid may be granted for a maximum of three years for each project. Applicants have to demonstrate that services for the submitted projects have the clear prospect of being commercially viable after the funding period. For this purpose the beneficiaries are required to provide a cash flow analysis for the following ten years to demonstrate the expected economic development of the service in question and to establish the viability of the project after three years.

The scheme provides that only one project per line may be funded, with no possibility of a renewal, extension or repetition of the service in question.

The selection of beneficiaries and projects will be carried out by the Swedish Transport Administration on a yearly basis in a transparent and non-discriminatory call stating all eligibility conditions. A deadline for applicants to submit their projects will be published on the Website of the Transport Administration\textsuperscript{3}. After the deadline has expired, the applications will be reviewed according to the formal requirements set out in the present scheme. The Transport Administration will take into consideration the quality of each project, the overall perspectives to transfer goods from road to sea or inland waterway and the existing competition on the market. In principle, any project that fulfils the requirements under the scheme will receive financial support. In case there are several applications submitted for the same line, the project showing the best estimated environmental effects will be chosen.

2.5. Form of aid, eligible costs and aid intensity

The aid takes the form of a direct grant.

The aid may cover up to 30% of the operational costs for coastal and short sea shipping transport services or 10% of the costs for the purchase of trans-shipment equipment to supply a planned service. In case of an upgrading of an existing route, the eligible costs are limited to the additional costs incurred by the upgrading measures.

The aid amount will be calculated as follows: The Swedish authorities have calculated an amount of 0.12 SEK\textsuperscript{4} as the difference between the average socio-

\textsuperscript{2} The Network for Transport Measures is a Swedish non-profit organisation aiming at establishing a common approach and a tool for calculating the environmental performance for the various modes of traffic. It has over 200 member organizations representing the industry, academia, as well as public authorities: https://www.transportmeasures.org/en/.

\textsuperscript{3} www.traffikverket.se.

\textsuperscript{4} EUR 0,097 (1 EUR corresponds to 10.3 SEK).
economic costs of external effects of heavy trucks (0.17 SEK per ton/km) and those of shipping vessels (0.05 SEK per ton/km). The value of the transport work that would have been involved if the transferred goods had been transported on a given distance by lorry within Sweden will be multiplied with 0.12 SEK.

(17) The transport work value is calculated by multiplying the quantity of goods transported on the section of the maritime or inland waterway route (measured in tonnes), by the distance in kilometres of road transport on the national network.

(18) If the amount calculated using the mentioned methodology exceeds the funds available under the budget (see section 2.3), the Swedish Transport Administration will reduce the compensation for all recipients proportionally.

2.6. Cumulation

(19) The Swedish authorities have confirmed that in case of cumulation with other public support, the aid amount will not exceed the maximum amounts set out in section 10 of the Community guidelines on State aid to maritime transport5 ("the Maritime Guidelines"). Furthermore, in line with section 10, last indent, aid under the scheme cannot be combined with public service compensation.

2.7. Monitoring and control

(20) The performance of the scheme will be monitored by the Transport Administration, which will verify the actual eligible costs during the funding period. If the actual profit and loss account differs from the submitted ex ante cash flow analysis, the Transport Administration may suspend any further compensation payments.

(21) Furthermore, in case the aid is granted by error or following incorrect information delivered by the beneficiary, or where the conditions for the compensation are no longer met, the Transport Administration may order a recovery of the aid plus interest.

2.8. Deggendorf principle and companies in difficulty

(22) Sweden confirms that companies in difficulty6 are not eligible for aid and that no aid is given to companies with an outstanding recovery order by the Commission (so called 'Deggendorf principle').

3. Assessment of the measure

3.1. Existence of aid pursuant to Article 107(1) TFEU

(23) Pursuant to Article 107 (1) of the Treaty on the Functioning of the European Union ('TFEU') ‘any aid granted by a Member State 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

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as it affects trade between Member States, be incompatible with the internal market’.

(24) The criteria laid down in Article 107(1) TFEU are cumulative. Therefore, in order to determine whether the notified measure constitutes State aid within the meaning of Article 107(1) TFEU, all the above-mentioned conditions need to be fulfilled. Namely, the financial support must:

(a) be granted by the State or through State resources;
(b) favour certain undertakings or the production of certain goods;
(c) distort or threatens to distort competition;
(d) affect trade between Member States.

(25) The Commission notes that the notified measure involves financing granted to the beneficiaries by the Swedish authorities through a governmental agency and therefore is granted through State resources.

(26) The financial support reduces the costs of the beneficiaries which it would have to bear on its own under normal market conditions. The measure is furthermore directed at ship-owners only, to the exclusion of other undertakings in other sectors. The Commission consequently concludes that it confers a selective advantage to the respective undertakings.

(27) As the advantage strengthens the undertakings position in relation to its competitors, it has also a potentially distorting effect on competition. Short-sea shipping as well as inland waterway services are liberalised at EU level and open to competition. When aid is granted by a Member State strengthening the position of an undertaking compared with other undertakings in intra-EU trade, the latter must be regarded as affected by that aid.

(28) On the basis of the above considerations, the Commission concludes that the notified aid scheme involves aid within the meaning of Article 107(1) TFEU.

3.2. Lawfulness of the aid

(29) Pursuant to the standstill clause of Article 108(3) TFEU and to Article 3 of Council Regulation No 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, new aid measures must not be put into effect before the Commission has taken a decision authorising such aid. In this context, aid measures can be considered to be put into effect when the legally binding act providing for the aid is adopted.

(30) The Commission notes that the Swedish legal act has not yet been adopted and that Sweden has therefore respected the standstill obligation under Article 108(3) TFEU.
3.3. Compatibility of the aid regarding coastal and short sea shipping

3.3.1. The Maritime Guidelines

(31) Aid under the notified scheme is available for coastal and short-sea shipping services. The Maritime Guidelines provide a framework for assessing the compatibility of State aid measures to maritime transport and short sea shipping under Article 107(3)(c) TFEU. They define the scope of the State aid schemes that could be introduced by the Member States in order to support the EU interest in this field and apply to maritime transport activities, as defined in the Regulation (EEC) No 4055/86\(^7\) and in the Regulation (EEC) No 3577/92\(^8\).

(32) The Maritime Guidelines allow for the granting of aid for coastal and short sea shipping services to ship-owners within the meaning of Article 1 of Regulation (EEC) No 4055/86, and with respect to ships flying the flag of one of the Member States or the EEA, provided that the conditions stipulated by Section 10 of the Guidelines are fulfilled.

(33) The Commission notes that the present scheme, in line with section 10, 4\(^{th}\) paragraph of the Maritime Guidelines, requires vessels to be enrolled in a registry and flying the flag of one of the States of the EEA.

(34) In the following the further criteria set out by the Maritime Guidelines are assessed in detail:

3.3.2. *The aid must not exceed three years in duration and its purpose must be to finance a shipping service connecting ports situated in the territory of the Member States*

(35) As mentioned in recital (11) above, the aid will be granted for a maximum of three years for any selected project. Eligible services concern Swedish ports and may only include services between Member States, provided that the service in question generates environmental benefits within Sweden.

(36) The Commission therefore considers that this first condition is fulfilled.

3.3.3. *The service must be of such a kind as to permit transport by road to be carried out wholly or partly by sea without diverting maritime transport in a way which is contrary to the common interest*

(37) The objective of the scheme is to encourage modal shift of freight from road to sea. As such, the compensation is designed to help ship-owners to partially cover the operational or investment costs to establish new routes or to upgrade the services on existing ones for the carriage of goods on the sea. Hence, the scheme has been designed to attain the objective to promote modal shift of freight transport from road to sea.

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As part of the application, each beneficiary needs to state the expected amount of goods which will be transferred from road to sea for the specific line. An external expert hired by the Transport Administration will assess the validity of the information given for each individual project.

The Commission is therefore satisfied that the grants exclusively serve to attain a Community objective and that the potential impact that the aid may have on competition is outweighed by the wider benefits that the scheme will provide in transferring freight traffic flows from road to sea, thus encouraging a modal shift towards a more sustainable transport mode.

3.3.4. The aid must be directed at implementing a detailed project with a pre-established environmental impact, concerning a new route or the upgrading of services on an existing one, associating several ship-owners if necessary, with no more than one project financed per line and with no renewal, extension or repetition of the project in question.

The Commission notes that the methodology used for the calculation of the compensation as described in recitals (16) to (18) above will be strictly limited to the difference of external costs for road and sea transport.

The Commission further notes that under the present scheme, the applicants for aid need to provide an ex-ante analysis of the environmental impact of each project which is then validated by an external expert using the NTM calc method as described in recital (10) above.

Public support under the scheme will be limited to new maritime routes for combined freight transport or the upgrade of services on existing sea routes. Furthermore, no more than one project can be financed per line, and no renewal, extension or repetition of the project in question is permitted.

In the light of above considerations, the Commission considers that the third condition set forth by the Maritime Guidelines is fulfilled.

3.3.5. The purpose of the aid must be to cover up to 30% of the operational costs or 10% of the costs for the purchase of trans-shipment equipment to supply the planned service.

As stated in recital (15) above, the aid intensities under the present scheme are limited to 30% of the operational costs or, in the case of the purchase of transhipment equipment, to 10% of the investment costs. It follows that the payments will not exceed the limits set out in the Maritime Guidelines.

3.3.6. The aid must be granted on the basis of transparent criteria applied in a non-discriminatory way to ship-owners established in the Community.

The Commission notes that the criteria for awarding the aid will be published by the Transport Administration that will carry out the selection procedure on an annual basis.

As part of the selection procedure, the viability of the projects and their contribution to the shift of the transport of goods from road to sea will be assessed. In case there are several applications for the same route or service, the project showing the best estimated environmental effects will receive financing.
The Commission considers that the criteria for awarding the aid are transparent, directly linked with the objective of the scheme, and that the non-discrimination requirements under the Maritime Guidelines are fulfilled.

3.3.7. *The service which is subject of the project must be of a kind to be commercially viable after the period in which it is eligible for aid*

The Commission notes that applicants are required to demonstrate the project's prospect of being commercially viable by providing a cash flow analysis for the following ten years.

In addition, the beneficiaries need to provide regular economic follow-ups to the Transport Administration during the project period to allow for a comparison of the actual profit and loss accounts with the submitted ex ante cash flow analysis. If the actual outcome differs from the submitted cash flow analysis, the Transport Administration may suspend any further compensation payments.

The Commission therefore considers that the seventh condition under the Guidelines is fulfilled.

3.3.8. *The aid must not be cumulated with public service compensation*

As mentioned in recital (19) above, the scheme provides that the aid cannot be cumulated with compensation granted for public services.

3.3.9. **Conclusion**

In view of the foregoing, the Commission concludes that the compatibility criteria under the Maritime Guidelines are satisfied and that the notified scheme to the extent that it covers short sea shipping services is compatible with the internal market according to Article 107 (3)(c) TFEU.

3.4. **Compatibility of the aid regarding inland waterways**

The notified measure aims at promoting modal shift from road transport to inland waterway transport, which is a recognised objective of coordination of transport. The concept of "coordination of transport" used in that provision has a significance which goes beyond the simple fact of facilitating the development of an economic activity. It implies an intervention by public authorities which is aimed at guiding the development of the transport sector in the common interest, like is the case with the present scheme.

As expressed in the Commission's White Paper on Transport Policy, "the fundamental principle of infrastructure charging is that the charge for using infrastructure must cover not only infrastructure costs, but also external costs, that is, costs connected with accidents, air pollution, noise and congestion". This approach has been applied in a number of Commission's State aid decisions over

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10 See also the judgement of the Court of Justice of 12 October 1978, Case 156/77, Commission v Belgium, ECR 1978, p. 1881, recital 10.
the last years. It also reflects the fact that, in view of Articles 3 TEU and Articles 6 and 191 TFEU, the environmental objectives of the Treaty have to be pursued inter alia through the Common Transport Policy.

(55) In this regard, the Commission notes that measures of coordination of transport may be needed when certain modes of transport do not bear the costs of the negative externalities which they impose to the society. The policy to promote inland waterway transport in Europe is part of the NAIADES II Action Programme. A European Strategy for Low-Emission Mobility adopted by the Commission on 20 July 2016 reiterates the necessity of incentivizing a shift towards lower emission transport modes such as inland waterways, short-sea shipping and rail.

(56) The notified measure falls within the scope of Article 93 TFEU as far as it concerns inland waterway transport and the Commission therefore considers that the scheme at hand is to be assessed directly on the basis of Article 93 TFEU which, since the entry into force of Regulation (EC) 1370/2007, has become directly applicable as the legal basis for establishing the compatibility of aid for the coordination of transport, if not covered by that Regulation.

(57) According to a constant Commission decision practice, aid for the coordination of transport is deemed compatible with the internal market under Article 93 TFEU if the following conditions are met:

- The aid must contribute to a well-defined objective of common interest;
- The aid must be necessary and provide an incentive effect;
- The aid must be proportionate;
- Access to the aid in question must be open to all users on a non-discriminatory basis;


12 Until 30 November 2009 – Articles 2, 6 and 174 EC Treaty.


• The aid must not lead to distortions of competition contrary to the common interest.

(58) The Commission will therefore assess whether these five criteria are met in the present case, for the aid scheme regarding inland waterways to be considered compatible with the internal market on the basis of Article 93 TFEU.

3.4.1. Contribution to a well-defined objective of common interest

(59) The EU has been pursuing a policy of achieving a balanced multimodal transport system and the fostering of the competitiveness of multimodal transport vis-à-vis road usage to achieve a modal shift from road freight transport to other modes of transport. A European Strategy for Low-Emission Mobility adopted by the Commission on 20 July 2016 re-iterates the necessity of incentivizing a shift towards lower emission transport modes such as inland navigation transport which is energy efficient and contributes to the goals of the low carbon economy, set out in the EU’s Transport Policy White Paper.

(60) The Commission recognises that it is in the first place the task of market operators to improve multimodal transport within markets, to which access is free and where the rules of free competition and supply and demand prevail. However, in order to fully unleash the potential of multimodal transport, the willingness to take risks inherent in switching from road to the alternative modes, may need to be stimulated. The development of multimodal transport and of activities that contribute to reduce air pollution and road congestion are therefore in the common interest.

(61) The main objectives of the scheme is to encourage a modal shift of the carriage of goods from road to sea and inland waterways, in order to reduce the emissions of air pollutants and greenhouse gases, by subsidizing the eligible costs incurred by using inland water routes instead of road transport. The Commission therefore considers that the notified scheme contributes to an objective of common interest.

3.4.2. The aid must be necessary and provide an incentive effect

(62) In its previous decisions, the Commission has acknowledged that inland waterway transport bears higher costs than road transport, while it offers considerable environmental advantages. These additional costs are essentially imputable to the particular characteristics of the infrastructure involved (in particular trans-shipment equipment) that can prevent the desired modal shift from occurring so that market forces alone are not sufficient to bring about such a shift.

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18 White Paper - Roadmap to a Single European Transport Area–Towards a competitive and resource efficient transport system, COM (2011)144 of 28.03.11.
In that context, the Commission has emphasized that the need for State intervention in the financing of new services or the upgrade of existing ones is necessary to encourage the private operators to pursue alternative modes of transport\(^{20}\). Furthermore, the investment into transhipment equipment plays a fundamental role in ensuring the success of the combined transport logistic.

The Commission concludes that the present aid in support of the modal shift is necessary to achieve the objective set out by the notified measure and has the effect to encourage the shift from road to inland waterway, therefore providing an incentive effect.

3.4.3. *The aid is proportionate*

Concerning the aid for the purchase of transhipment equipment, the aid is limited to 10% of the purchase costs of such equipment. The Commission notes that in similar cases it has considered aid for investments of up to 50% of the eligible costs compatible with the internal market\(^{21}\).

The Commission notes that aid for operating costs may not exceed 30% of the operational costs. This maximum aid amount is in line with the Commission decision practice\(^{22}\).

The Commission therefore considers that the aid is proportionate to the achievement of the objective of the notified measure.

3.4.4. *The access to the aid in question must be open to all users on a non-discriminatory basis*

As developed in recitals (45) to (47) of the present decision, the aid will be granted on a non-discriminatory basis.

3.4.5. *The aid must not lead to distortions of competition contrary to the common interest*

The notified scheme is designed to reduce imbalances between inland waterway transport on the one hand and road transports on the other. The Commission notes that the scheme is limited to three years, that one route may only receive support under the scheme once, and that the scheme is limited to support projects for which it has been demonstrated that they have the prospect of being commercially viable after the end of the funding period.

The Commission considers that the scheme will therefore only have a limited effect on competition and that the expected shift of road to inland waterway transport resulting from the aid outweighs any negative effects on competition


that the scheme might have. Subsequently the measure does not lead to a distortion of competition contrary to the common interest.

3.4.6. Conclusion

(71) For the aforementioned reasons, the Commission considers that the notified scheme as regards inland waterway services is compatible with the internal market according to Article 93 TFEU.

3.5. Transparency

(72) The Commission takes note that the Swedish authorities have declared to respect the transparency requirements associated to the aid assessed in the present decision.

4. Decision

(73) The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) and Article 93 TFEU.

(74) The Commission reminds the Swedish authorities that, in accordance with Article 108(3) TFEU, all plans to refinance, alter or change this aid scheme have to be notified to the Commission.

(75) 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/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission

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