EUROPEAN COMMISSION

Brussels, 11.4.2020
C(2020) 2366 final

PUBLIC VERSION
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Subject: State Aid SA.56812 (2020/N) – Sweden
COVID-19: Loan guarantee scheme to airlines

Excellency,

1. PROCEDURE

(1) By electronic notification of 3 April 2020, Sweden notified aid in the form of loan guarantee scheme to airlines (“the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).

(2) The Swedish authorities confirm that the notification does not contain confidential information.

(3) Sweden exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958, and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(4) According to the Swedish authorities, the COVID-19 outbreak has had a significant impact on the Swedish economy and Swedish companies. On March

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2 Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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31 the Ministry of Finance announced a revision of the economic forecast for 2020, estimating that the GDP growth in Sweden is expected to fall by 4%, about the same drop as during the financial crisis as of 2008. Furthermore, unemployment is estimated to rise to 9% in 2020, compared to 7.4% in 2019. The National Institute of Economic Research (Konjunkturinstitutet) reported on March 26 that The Economic Tendency Indicator fell by more than 6 points from 98.7 in February to 92.4 in March, the lowest level recorded since May 2013. The latest survey of the Confederation of Swedish Enterprise (Svenskt Näringsliv) on 8,000 member companies showed that the transport industry seems the most affected by the negative impact of the Covid-19 outbreak among all industries.³

(5) In particular, the first half of March was characterised by several countries enforcing travel restrictions and closing borders to certain parts of the world in order to contain the spread of the COVID-19 virus. Travel restrictions either directly or indirectly affect air traffic from Sweden. On 13 March, the United States implemented travel restrictions from Europe, and during the weekend of 14 March, several European countries closed their borders to different degrees or imposed travel restrictions, e.g. Denmark, Germany, Poland and Spain. Furthermore, since 14 March, the Ministry of Foreign Affairs in Sweden advises against unnecessary trips to all countries.

(6) These containment measures negatively affect the aviation sector in particular. The demand for passenger travel by air in Sweden has dropped significantly after the COVID-19 outbreak, e.g. passenger demand at the three biggest Swedish airports, Stockholm Arlanda, Göteborg and Malmö, decreased by approximately 93 percent at the end of March, see Table 1 below.

Table 1: Passenger traffic at airports operated by Swedavia⁴ (23-29 March 2020)

<table>
<thead>
<tr>
<th>Airport</th>
<th>Inter-national 2020</th>
<th>Inter-national 2019</th>
<th>%</th>
<th>Domestic 2020</th>
<th>Domestic 2019</th>
<th>Change in %</th>
<th>Total passenger 2020</th>
<th>Total passenger 2019</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bromma Stockholm</td>
<td>0</td>
<td>6 917</td>
<td>%</td>
<td>1 536</td>
<td>42 732</td>
<td>-96.36%</td>
<td>1 536</td>
<td>49 199</td>
<td>-96.88%</td>
</tr>
<tr>
<td>Göteborg</td>
<td>4 014</td>
<td>86 761</td>
<td>-95.37%</td>
<td>1 931</td>
<td>25 894</td>
<td>-92.54%</td>
<td>5 945</td>
<td>112 655</td>
<td>-94.72%</td>
</tr>
<tr>
<td>Kiruna</td>
<td>0</td>
<td>0</td>
<td>%</td>
<td>832</td>
<td>6 343</td>
<td>-86.88%</td>
<td>832</td>
<td>6 343</td>
<td>-86.88%</td>
</tr>
<tr>
<td>Luleå</td>
<td>0</td>
<td>1 033</td>
<td>%</td>
<td>2 353</td>
<td>22 331</td>
<td>-89.46%</td>
<td>2 353</td>
<td>23 364</td>
<td>-89.93%</td>
</tr>
<tr>
<td>Malmö</td>
<td>519</td>
<td>14 837</td>
<td>-96.50%</td>
<td>1 439</td>
<td>22 046</td>
<td>-93.47%</td>
<td>1 958</td>
<td>36 883</td>
<td>-94.69%</td>
</tr>
<tr>
<td>Ronneby</td>
<td>0</td>
<td>0</td>
<td>%</td>
<td>239</td>
<td>4 273</td>
<td>-94.41%</td>
<td>239</td>
<td>4 273</td>
<td>-94.41%</td>
</tr>
<tr>
<td>Stockholm-Arlanda</td>
<td>27 798</td>
<td>35 8060</td>
<td>-92.24%</td>
<td>10 021</td>
<td>103 925</td>
<td>-90.36%</td>
<td>37 819</td>
<td>461 985</td>
<td>-91.81%</td>
</tr>
<tr>
<td>Umeå</td>
<td>0</td>
<td>1 122</td>
<td>%</td>
<td>1 463</td>
<td>17 556</td>
<td>-91.67%</td>
<td>1 463</td>
<td>18 678</td>
<td>-92.17%</td>
</tr>
<tr>
<td>Visby</td>
<td>0</td>
<td>63</td>
<td>%</td>
<td>744</td>
<td>6 807</td>
<td>-89.07%</td>
<td>744</td>
<td>6 870</td>
<td>-89.17%</td>
</tr>
<tr>
<td>Åre Östersund</td>
<td>0</td>
<td>849</td>
<td>%</td>
<td>682</td>
<td>12 111</td>
<td>-94.37%</td>
<td>682</td>
<td>12 960</td>
<td>-94.74%</td>
</tr>
<tr>
<td>Total</td>
<td>32 331</td>
<td>469 712</td>
<td>-93.12%</td>
<td>21 240</td>
<td>263 498</td>
<td>-91.94%</td>
<td>53 571</td>
<td>733 210</td>
<td>-92.69%</td>
</tr>
</tbody>
</table>

Source: Swedish Transport Agency (Transportstyrelsen)

(7) The airline industry generates economic growth, creates jobs, and facilitates trade and tourism. The disruption of the air traffic severely affects the Swedish economy as a whole. In this context, the Swedish Government decided to support

³ Transport (73%), services (72%), manufacturing (62%), construction (59%).

⁴ Swedavia AB is a Swedish state-owned company, which owns and operates ten of Sweden’s busiest airports (Åre Östersund, Göteborg Landvetter, Kiruna, Luleå, Malmö, Ronneby, Stockholm-Arlanda, Stockholm-Bromma, Umeå, Visby).
the airline industry on 17 March 2020 and adopted the draft bill 2019/20:136 providing loan guarantees to airlines in response to COVID-19.

(8) The notified measure aims to ensure that airlines with a Swedish license that are important to secure connectivity in Sweden have sufficient liquidity to ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability and to preserve the continuity of economic activity during and after the current crisis.

(9) The measure is based on Article 107(3)(b) TFEU, as interpreted by Section 2 of the Temporary Framework.

2.1. **The nature and form of aid**

(10) The measure provides aid in the form of State guarantees for new loans.

2.2. **National legal basis**

(11) The legal bases for the measure are:

(a) Draft Government Bill 2019/20: 136 – Loan guarantees to airlines in response to COVID-19;

(b) Decision of the Swedish Government to entrust the National Debt Office to prepare and enforce a guarantee programme for airlines;

(c) Ordinance 2011: 211 on loans and guarantees.

2.3. **Administration of the measure**

(12) The National Debt Office is the granting authority responsible for administering the measure. The National Debt Office will provide the guarantee to the airlines qualifying under the scheme directly. The guarantee will not be channelled through credit institutions or other financial institutions.

2.4. **Budget and duration of the measure**

(13) The Swedish authorities confirm that no more than SEK 5 billion (approximately EUR 455 million)\(^5\) will be guaranteed under the measure. The measure is financed from the State budget.

(14) Aid may be granted under the measure as from its approval until 31 December 2020.

2.5. **Beneficiaries**

(15) The final beneficiaries of the measure are all airlines which on 1 January 2020 held a Swedish licence to conduct commercial activities in aviation under Article 3 of Regulation No 1008/2008 of 24 September 2008.\(^6\) Airlines that operate non-

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\(^5\) Exchange rate used: 1 EUR = 10.9 SEK.

scheduled passenger air transport services as their main activity\textsuperscript{7} are not eligible. The Swedish authorities estimate that approximately 20 airlines will be eligible for loan guarantees under the scheme, which include carriers operating scheduled passenger air transport services as well as smaller companies operating ambulance flights or helicopter companies performing inspection services.

(16) Aid may be granted under the measure only to undertakings that were not in difficulty within the meaning of the General Block Exemption Regulation ("GBER")\textsuperscript{8} on 31 December 2019.

2.6. Sectoral and regional scope of the measure

(17) The measure is designed to support airlines that operate in Sweden and which fulfil the eligibility criteria set out in recital (15). The measure applies to the whole territory of Sweden.

2.7. Basic elements of the measure

2.7.1. Nature of eligible instruments

(18) The programme will provide for guarantees on new investment or working capital loans.

2.7.2. Maximum amount of the eligible instruments

(19) For loans with a maturity beyond 31 December 2020, the amount of the loan principal will not exceed:

(a) the double of the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertakings site, but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or

(b) 25\% of total turnover of the beneficiary in 2019; or

(c) with appropriate justification and based on a self-certification by the beneficiary of its liquidity needs, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 18 months for SMEs, and for the coming 12 months for large enterprises.

(20) For loans with a maturity until 31 December 2020, the amount of the loan principal may be higher than described above, subject to an appropriate justification and provided that the proportionality of the aid remains assured. The Swedish authorities committed to report to the Commission on such cases,

\textsuperscript{7} "Main activities" refers to traffic based on number of passengers and number of movements in Sweden. The assessment of the main activities shall be obtained from the Swedish Transport Agency.

notably on the assessment of the granting authority on the appropriateness of the justification in respect to the proportionality of the aid.

2.7.3. **Maximum amount of the guarantee**

(21) The guarantee does not exceed 90 percent of the loan principal and the losses are sustained proportionally and under same conditions, by the National Debt Office and credit institutions. Furthermore, the Swedish authorities confirmed that when the size of the loan decreases over time, the guaranteed amount decreases proportionally.

(22) The guarantees will be allocated based on the size of the beneficiary. The size will be assessed on the basis of the average turnover of the beneficiary over the last three financial years. The guarantee amount is proportionate to the size of the company in line with the thresholds set out in point 25 of the Temporary Framework.

(23) The total amount of loan guarantees cannot exceed SEK 5 billion.

2.7.4. **Maximum duration of the guarantee**

(24) The duration of the guarantees is be limited to a maximum of six years. The guarantees will be granted by 31 December 2020 at the latest.

2.7.5. **Remuneration of the guarantee**

(25) The guarantee premium for guarantees is established on a case-by-case basis depending on elements such as the risk level of the undertaking, the project, and the provided loan collateral. The level of premiums shall increase progressively as the duration of the guaranteed loan increases and will not be lower than:

(a) for SMEs, 25 basis points (“bps”) in the first year, 50 bps in the second and third year and 100 bps in the fourth to sixth year of the guarantee;

(b) for large enterprises, 50 bps in the first year, 100 bps in the second and third year and 200 bps in the fourth to sixth year of the guarantee.

2.7.6. **Mobilisation of the guarantee and other conditions**

(26) The Swedish authorities confirmed that the mobilisation of the guarantee is contractually linked to specific conditions, which are agreed between the parties when the guarantee is initially granted.

(27) A guarantee may only be provided if the guarantee agreement contains conditions that prevent the guaranteed loan amount from being used for any purpose other than that which is necessary to prevent the company from going bankrupt. It must therefore not be used for profit withdrawals or bonus programmes for company officials.

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9 The loan amount does not include interests, fees or other administrative costs.

10 The guarantee framework for SAS Scandinavian Airlines is capped at maximum SEK 1.5 billion.
2.8. Cumulation

(28) The aid ceilings and cumulation maxima fixed under the measure shall apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the Union.

(29) The Swedish authorities confirm that aid granted under section 3.2 of the Temporary Framework will not be cumulated with other aid granted for the same underlying loan principal under section 3.3 of the Temporary Framework, and vice versa. In particular, for loans with a maturity beyond 31 December 2020, the overall amount of loans per beneficiary shall not exceed the maximum thresholds as specified in point 27(d) of the Temporary Framework. The Swedish authorities explicitly confirmed that this applies also to aid granted for the same beneficiary under other decisions taken by the Commission on the basis of sections 3.2 and 3.3 of the Temporary Framework. For as far as one beneficiary may benefit from multiple measures under sections 3.2 and 3.3 of the Temporary Framework, the Swedish authorities confirmed that the maximum thresholds on loans for such measures per beneficiary as specified in point 27(d) of the Temporary Framework are respected.

2.9. Monitoring and reporting

(30) The Swedish authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework.

3. Assessment

3.1. Legality of the measure

(31) By notifying the measure before putting it into effect, the Swedish authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(32) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(33) The measure is imputable to the State, since it is administered by the National Debt Office and based on the nation bill concerning loan guarantees to airlines in response to COVID-19. It is financed through State resources, since the measure takes the form of State guarantees.

(34) The measure confers an advantage on its beneficiaries in the form of guarantees on loans. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.

(35) The guarantees are only available to airlines with a Swedish air operator certificate which do not operate non-scheduled passenger air transport services as
their main activity. As the advantage conferred by the guarantees is only available to certain undertakings in the aviation sector, it is selective.

(36) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

(37) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Swedish authorities do not contest that conclusion.

3.3. Compatibility

(38) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(39) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “to remedy a serious disturbance in the economy of a Member State”.

(40) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (Section 2) that “the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings”. The Commission concluded that “State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs”.

(41) The measure aims at facilitating the access of airlines to external finance at a time when the normal functioning of credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(42) The measure is one of a series of measures conceived at national level by the Swedish authorities to remedy a serious disturbance in their economy. The importance of the measure to stimulate lending by private banks to enterprises during the COVID-19 outbreak is widely accepted by economic commentators and the measure is of a scale, which can be reasonably anticipated to produce effects across the entire Swedish economy (see recitals (4) to (8)). Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Aid in the form of loan guarantees”) described in Section 3.2 of the Temporary Framework.

(43) As explained in recital (15), the measure covers airlines which on 1 January 2020 held a Swedish licence to conduct commercial activities in aviation under Article 3 of Regulation No 1008/2008. It does not cover airlines that operate non-scheduled passenger air transport services as their main activity. The Commission notes that, pursuant to Regulation No 1008/2008, eligible airlines have their
principal place of business in Sweden and their financial situation is regularly monitored by the national licensing authority. Furthermore, the operation of scheduled passenger services by the beneficiaries is likely to play a major role in the connectivity of the country. The Commission concludes that the eligibility criteria are relevant to identify airlines that have a link with Sweden and play a role in securing the connectivity of Sweden, in line with the objective the notified measure (recital 0).

(44) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of Sweden and meets all the relevant conditions of the Temporary Framework. In particular:

- The measure sets minimum levels for guarantee premiums depending on the maturity of the loan, in compliance with point 25 (a) of the Temporary Framework.

- Guarantees can be granted under the measure by 31 December 2020 at the latest (recital (24)). The measure therefore complies with point 25(c) of the Temporary Framework.

- For loans with a maturity beyond 31 December 2020, the maximum loan amount per beneficiary covered by guarantees granted under the measure is limited in line with point 25(d) of the Temporary Framework (recital (19)). For loans with a maturity until 31 December 2020, the higher amount of the loan principal shall be justified appropriately so that the proportionality of the aid remains assured (recital (20)) in line with point 25(e) of the Temporary Framework.

- The measure limits the duration of the guarantees to maximum 6 years (recital (24)). Those guarantees cover only 90% of the loan principal and losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and the State (recital (21)). Furthermore, when the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (21)). The measure therefore complies with point 25(f) of the Temporary Framework.

- Guarantees granted under the measure relate to investment and working capital loans (recital (18)). The measure therefore complies with point 25(g) of the Temporary Framework.

- Firms in difficulty (situation as of 31 December 2019) within the meaning of the GBER are excluded from benefitting from the measure (recital (16)). The measure therefore complies with point 25(h) of the Temporary Framework.

- Since the measure is implemented and administered directly by the National Debt Office without interference of any financial institution, no

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11 Regulation 1008/2008, art. 4.

12 Regulation 1008/2008, article 8, par. 2.
safeguards in relation to the possible indirect aid in favour of the credit institutions are needed.

- The Swedish authorities have confirmed that they will respect the monitoring and reporting rules laid down in Section 4 of the Temporary Framework (recital (30)).

- The cumulation rules prohibiting the combination with other State aid for the same underlying loan are respected; in particular, the Swedish authorities confirmed that aid granted under section 3.2 of the Temporary Framework will not be cumulated with other aid granted for the same underlying loan principal under section 3.3 of the Temporary Framework, and vice versa. The authorities explicitly confirmed that this applies also to aid granted for the same beneficiary under other decisions taken by the Commission on the basis of sections 3.2 and 3.3 of the Temporary Framework. For as far as one beneficiary may benefit from multiple measures under sections 3.2 and 3.3 of the Temporary Framework, the Swedish authorities confirmed that the maximum thresholds on loans for such measures per beneficiary as specified in point 27(d) of the Temporary Framework are respected (recitals (28) to (29)).

- Lastly, the mobilisation of the guarantees is contractually linked to specific conditions, which have to be agreed between the parties when the guarantee is initially granted (recital (26)).

4. CONCLUSION

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)(b) of the Treaty on the Functioning of the European Union.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President