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PUBLIC VERSION

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Subject: State Aid SA.57078 (2020/N) – United Kingdom – Amendment to the aid scheme SA.56841 (2020/N) – United Kingdom - COVID-19 Temporary Framework for UK authorities

Dear Foreign Secretary,

1. PROCEDURE

- (1) By electronic notification of 18 April 2020, registered by the Commission on the same day, the United Kingdom (the “UK”) notified, according to Article 108(3) TFEU, an amendment of the aid scheme SA.56841 (2020/N) on a COVID-19 Temporary Framework for UK authorities (“the existing aid scheme”), which the Commission had approved by Decision of 6 April 2020 (“the initial Decision”)¹.
- (2) The UK confirmed that the notification does not contain confidential information.

2. DETAILED DESCRIPTION OF THE MEASURE

Objective of the scheme

¹ Commission Decision C (2020) 2230 final of 6 April 2020 - SA.56841 (2020/N).

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- (3) Following an electronic notification of 26 March 2020, on 6 April 2020 the Commission on the basis of Article 107(3)(b) TFEU and the Temporary Framework² decided not to raise objections to the existing aid scheme.
- (4) The existing aid scheme is aimed at remedying the liquidity shortage faced by undertakings and ensuring that disruptions caused by the Covid-19 outbreak do not undermine their viability (see recital (3) of the initial Decision). The notified scheme pursues the same objective.

Main elements of the notified scheme

- (5) The amendment to the existing aid scheme replaces a flat fee structure under point 25(b) of the Temporary Framework (see recitals (13)(a) and (40) of the initial Decision) and provides for the pricing of guarantees on loans to be charged on a stepped basis in conformity with the Table of point 25(a) of the Temporary Framework, i.e. guarantee premiums under the existing aid scheme will be set at a minimum level as follows:

Type of recipient	Credit risk margin for the 1 st year	Credit risk margin for the 2 nd and 3 rd years	Credit risk margin for the 4 th to 6 th years
SMEs	25bps	50bps	100bps
Large enterprises	50bps	100bps	200bps

- (6) All other elements (legal basis, administration of the scheme, budget and duration, beneficiaries, sectoral and regional scope of the measure, cumulation rules and monitoring and reporting rules) of the existing aid scheme remain unchanged.

3. ASSESSMENT OF THE AID MEASURES

3.1. Lawfulness of the aid measures

- (7) By notifying the measure before putting it into effect, the UK authorities have respected their obligations under Article 108(3) TFEU³.

3.2. Existence of aid within the meaning of Article 107(1) TFEU

- (8) Article 107(1) TFEU defines State aid as ‘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 as it affects trade between Member States, be incompatible with the common market’.

² Communication from the Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I, 20.3.2020, as amended by Communication from the Commission: Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, (OJ C 112I, 4.4.2020, p. 1–9).

³ As applicable under Article 131 of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ L 29, 31.1.2020, p. 7.

- (9) The qualification of the measures as State aid was established in the initial Decision. The Commission therefore refers, for this analysis, to recitals (27) to (32) of the initial Decision.

3.3. Compatibility assessment

- (10) The Commission has examined the notified scheme pursuant to Article 107(3)(b) TFEU.
- (11) The Commission refers to its analysis of compatibility as set out in recitals (33) to (45) of the initial Decision. Concerning the amendment mentioned in recital (5) of this Decision, the Commission found the following:
- The proposed stepped pricing of the guarantee is in accordance with point 25(a) of the Temporary Framework.
- (12) The Commission therefore considers that the notified scheme does not affect the compatibility analysis of the existing aid scheme as set out in the initial Decision.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified schemes on the grounds that they are 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

