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C(2020) 2784 final

<p>In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 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, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus [...]</p>		<p>PUBLIC VERSION</p> <p>This document is made available for information purposes only.</p>
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Subject: State Aid SA.57061 (2020/N) – Sweden – Compensation for the damage caused by the COVID-19 outbreak to Scandinavian Airlines

Excellency,

1. PROCEDURE

- (1) By electronic notification of 21 April 2020, Sweden notified aid in the form of a guarantee on a revolving credit facility for SAS AB, a Sweden-based airline (“SAS”) (“the measure”), in accordance with Article 108(3) of the Treaty on the Functioning of the European Union (“TFEU”).
- (2) Sweden exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,¹ and to have this Decision adopted and notified in English.

¹ 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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2. DESCRIPTION OF THE MEASURE

2.1. Objective of the measure

- (3) The COVID-19 outbreak has resulted in travel restrictions and closed down the vast majority of passenger air transport. 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. The advice applies at least until 15 June 2020. These containment measures negatively affect the aviation sector in particular. The demand for passenger travel by air in Sweden has dropped significantly as a consequence of 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.²
- (4) In this context, the Swedish Government decided to support the airline industry by way of a scheme providing loan guarantees to airlines in response to COVID-19 (“the guarantee scheme”). This guarantee scheme was approved by the Commission by means of the decision adopted on 11 April 2020 in case SA 56812³ (“approval decision”). The aid was found compatible with the internal market pursuant to Article 107(3)(b) TFEU, as interpreted by the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.⁴
- (5) However, a significant drop in travel demand amid the spread of the coronavirus continues deteriorating the airlines’ financial situation.⁵ This may severely affect their negotiating power for credit facilities with credit institutions.
- (6) Against this background, the Swedish authorities envisage to compensate the damage caused by the COVID-19 outbreak and grant individual State guarantees for airlines which are eligible for a State guarantee under the guarantee scheme but which however cannot obtain loans from credit institutions under the conditions prescribed in the approval decision.

² Source: Swedish Transport Agency (Transportstyrelsen).

³ Decision C(2020)2366 final of 11 April 2020, not yet published.

⁴ Communication from the Commission - [Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak of 19 March 2020](#) (OJ C 91 I, 20.3.2020, p. 1–9), [as amended on 3 April 2020](#) (OJ C 112 I, 4.4.2020, p. 1–9).

⁵ [Report by the IATA](#) on "Liquidity is crucial for airlines to overcome COVID-19 pandemic" published on 13 March 2020.

- (7) According to the Swedish authorities, SAS faces difficulties to secure a credit facility from credit institutions in line with the conditions set out in the approval decision.
- (8) Based on the traffic figures for March 2020, SAS recorded decline in passenger traffic by 59.7% as compared to March 2019.⁶ In April 2020, almost all flights of SAS were cancelled except for a few domestic routes in Norway and Sweden. Therefore, SAS faces a significant reduction and/or suspension of its services, resulting in high operating losses.
- (9) Accordingly, the objective of the notified measure is to compensate SAS for damage suffered due to the cancellation or re-scheduling of its flights as a result of the imposition of travel restrictions linked to the COVID-19 outbreak.
- (10) The measure is based on Article 107(2)(b) TFEU.

2.2. National legal basis

- (11) The legal bases for the measure are a draft Government Decision entrusting the National Debt Office to provide state guarantees to airlines under Article 107(2)(b) and the Ordinance 2011: 211 on loans and guarantees.

2.3. Form, budget and duration of the measure

- (12) The measure provides aid in the form of a State guarantee on a revolving credit facility for SAS. The guarantee will be issued to cover liabilities of SAS under an agreement with a bank, a group of banks or a consortium of banks (“the lender”) about a revolving credit facility.
- (13) The State guarantee will cover, in prioritised order:
 - (a) 90% of a revolving credit facility provided by the lender, which will proportionally and under the same conditions as the State cover 10% of any loss under the same conditions; if this is not possible,
 - (b) 90% of a revolving credit facility provided by the lender, which will proportionally and under the same conditions as the State cover 10% of any loss, but the latter 10% may be covered by collateral from SAS.
- (14) Under the measure, Sweden will guarantee a revolving credit facility with a nominal amount of up to SEK 1.5 billion (approx. EUR 137 million).⁷ The Swedish authorities submit that the guarantee will be covered from the part of the budget of the guarantee scheme approved by the approval decision of 11 April 2020 reserved for SAS.
- (15) The flat-rate annual guarantee premium paid by SAS or the lender will not be lower than 100 bps.

⁶ <https://www.sasgroup.net/newsroom/press-releases/2020/sas-traffic-figures---march-2020/>

⁷ Exchange rate 1 EUR = 10.92 SEK.

- (16) The guarantee will be granted only after the Commission's approval and it will terminate no later than 20 April 2026.
- (17) The Swedish authorities submit that in principle the amount of aid can be calculated as the difference between the price of the loan that could be obtained by SAS with and without the guarantee.⁸
- (18) According to the Swedish authorities, the IBOR for Sweden as of 1 April 2020 was 0.26%, whereas the IBOR for Denmark was -0.05%. The relevant IBOR will depend on the nationality of the banks that provide the revolving credit facility.
- (19) Based on the 2008 Communication, the Swedish authorities have used the following assumptions of the market interest rate in the absence of the State guarantee.

Collateral	High (LGD ≤ 30%)	Normal (LGD = 31-59%)	Low (LGD ≥ 60%)
Margin, bps (B)	220	400	650
Estimated market interest, bps	SE: 246 DK: 215	SE: 426 DK: 395	SE: 650 DK: 645
Margin, bps (CCC and below)	400	650	1.000
Estimated market interest, bps	SE: 426 DK: 395	SE: 676 DK: 645	SE: 1.026 DK: 995

LGD: loss given default (source: the Swedish submission)

- (20) According to the Swedish authorities, the amount of aid cannot be calculated at this point in time, as SAS has not yet negotiated the terms of the credit agreement.
- (21) However, the Swedish authorities state that, even if the full amount of the guaranteed loan constituted aid, the amount of aid would not exceed the foreseen damage as set out in recital (32).

2.4. Administration of the measure

- (22) The National Debt Office is the granting authority responsible for administering the measure.

2.5. Beneficiary

- (23) The beneficiary of the measure is SAS.

⁸ This calculation will be based on section 2.2 of the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees, OJ 2008 C 155/10 ("the 2008 Communication").

- (24) SAS is the parent company of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB.⁹
- (25) SAS is a network airline whose operations are focussed in Denmark, Sweden and Norway. Stockholm-Arlanda airport is the SAS's second largest hub after Copenhagen airport and SAS's administrative base.
- (26) According to the Swedish authorities, SAS accounts for 67% of intra-Scandinavian accessibility. SAS contributes to 49.2% of the domestic connectivity of Sweden and accounts for 24.5% of Sweden's international traffic, with total 6.7 million passengers carried annually to and within Sweden accounting for 30% of all business and leisure flight passengers.¹⁰ In Sweden, SAS employs around 4.000 people.¹¹ Approximately 40% of total SAS's direct and indirect jobs are in Sweden. SAS contributes to the Swedish GDP directly with SEK 5.9 billion, indirectly with SEK 4.7 billion and with SEK 6 billion of induced effects. This accounts for 30% of the total contribution from the airline sector to the Swedish economy.¹²
- (27) The Swedish authorities submit that SAS has taken a number of measures to minimise the damage caused by the COVID-19 outbreak. Since 3 March 2020, SAS has undertaken a number of initiatives to reduce its costs, including reduction of its capacity, cuts in administration and personnel expenses, implementation of hiring freeze and postponement of non-critical projects, marketing and promotional campaigns. On 15 March 2020, SAS decided to stop most of its traffic as of 16 March, whilst, at the same time, making temporary staff reductions which comprised up to 10 000 employees, equivalent to 90% of the total workforce. SAS has further made temporarily layoffs of majority of SAS employees.¹³ SAS has also given notice of permanent redundancy for some 120 positions in Sweden.

2.6. Eligible costs and modalities for compensation

- (28) The eligible costs correspond to the damage caused to SAS by the COVID-19 outbreak. The damage is defined as the loss of added value.

⁹ These three subsidiaries form a consortium called Scandinavian Airlines System Denmark-Norway-Sweden.

¹⁰ Source: Swedish Transport Agency, 2019 Report on Air Traffic in Sweden (www.transportstyrelsen.se).

¹¹ Source: www.statista.com

¹² Source: report by Copenhagen Economics from April 2019, <https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/8/498/156232924/9/sas-denmark-report.pdf>.

¹³ In the financial year of 2018/2019, the average number of SAS's employees was 10 445.

- (29) The loss of added value will be quantified based on an analysis of the impact of the COVID-19 outbreak on SAS's finances¹⁴ (March 2020-March 2021), taking into account the following:
- (a) loss of revenue: a review of the impact of the COVID-19 outbreak on total revenue, including traffic-related revenue (e.g. net passenger, cargo, charter and other traffic-related revenue) and other infrastructure-related revenue;
 - (b) additional and avoided costs: a review of SAS's cost base and the impact (both positive and negative) of the COVID-19 outbreak on variable costs, including, among others, fuel, ground handling, airport fees, personnel, aircraft maintenance, airline leases and taxes;
 - (c) loss of profit: an adjustment for the expected profit margin based on the pre-COVID-19 budget.
- (30) For example, if in normal circumstances SAS generates an income of EUR 200, its fixed costs are EUR 70, its variable costs are EUR 120 and its margin is EUR 10, its damages (in terms of lost added value) will be estimated at EUR 35 in the case of a fall in traffic of 50%.¹⁵
- (31) SAS's losses directly related to the COVID-19 outbreak have been preliminarily estimated on the basis of a comparison of SAS's results during a reference period (March 2019-February 2020) and an estimated budget for the period March 2020-February 2021. The estimated budget includes the expected effects of the COVID-19 outbreak, in particular a fall in traffic of approximately [50-60%] between the reference period and the following 12-month period, and assesses additional and avoided costs. The benefits of the horizontal measures adopted by Denmark, Sweden and Norway are included in the revised budget.
- (32) SAS's losses related to the COVID-19 outbreak are currently estimated to be [SEK 5-15 billion] (March 2020-February 2021).
- (33) The damage to SAS will be assessed after the COVID-19 crisis based on operating accounts duly certified and audited by an independent body for the year 2020.
- (34) The Swedish authorities confirmed that the payment made to the beneficiary shall be net of any amount recovered by insurance, litigation, arbitration or other source for the same damage. If the aid is paid out before the insurance, the insurance amount will be recovered from the beneficiary.

¹⁴ The losses will be quantified for the SAS AB group.

¹⁵ Lost revenues = EUR 200x50% = EUR 100; Avoided fixed costs = EUR 0; Avoided variable costs = EUR 120x50% = EUR 60; correction margin related to lost income = EUR 10x50% = EUR 5. Damage due to COVID-19 = EUR 100-5-60 = EUR 35.

2.7. Commitments by Sweden

- (35) The Swedish authorities committed to submit no later than 31 December 2020 for prior approval by the Commission the methodology that will be used to quantify the damage suffered by SAS due to the COVID-19 outbreak.
- (36) The Swedish authorities have committed to carry out by no later than 30 June 2021 an ex-post assessment of the damage suffered by SAS as a result of the COVID-19 outbreak, based on the operating accounts of SAS for the year 2020, audited and duly certified by an independent body and to calculate the precise amount of aid granted by Sweden under the present aid measure.
- (37) The Swedish authorities have committed to submit to the Commission by no later than 30 June 2021 the results of the analysis of the ex-post assessment of the damage suffered by SAS and the amount of aid granted as referred above in recital (36).
- (38) The Swedish authorities have finally committed to ensure that SAS repays any over-compensation, should the ex-post assessment show that the total state aid received by SAS to compensate the damage caused by the COVID-19 outbreak, including any aid granted by, inter alia, the Danish authorities, exceeds the total amount of the damage suffered by SAS.

2.8. Cumulation

- (39) The measure at hand is a State guarantee of up to SEK 1.5 billion on a revolving credit facility in favour of SAS. The Commission notes that the Danish authorities have provided a similar support in the form of a State guarantee covering up to SEK 1.5 billion as approved by the Commission's decision of 15 April 2020.¹⁶ The individual aid to SAS was notified by Denmark to partly compensate the airline for the damage suffered due to the COVID-19 outbreak under Article 107(2)(b).
- (40) According to the Swedish authorities, even if the aid element in the notified guarantee is quantified as the total guaranteed amount, the total aid amount granted by Sweden and Denmark together (potentially amounting to maximum SEK 3 billion) will be significantly lower than the damage expected to be incurred by SAS.
- (41) To the extent that SAS obtains the Danish guarantee, the Swedish authorities commit to ensure, in the context of the ex-post assessment mentioned in recital (36), that SAS will not be over-compensated, taking into account any state aid received by SAS from any granting authority to cover the total amount of the damage suffered by SAS due to the COVID-19 outbreak.
- (42) Furthermore, the Swedish authorities confirmed that the SEK 1.5 billion budget is part of the same budget notified under the approval decision: therefore, SAS will benefit either from a State guarantee approved under Article 107(3)(b) TFEU at

¹⁶ Commission decision of 15 April 2020, SA.56795 (2020/N), Denmark, *Compensation for the damage caused by the COVID-19 outbreak to Scandinavian Airlines*, not yet published.

the conditions set out in the approval decision, or from a State guarantee approved under Article 107(2)(b) TFEU at the conditions set out in the present decision.

3. ASSESSMENT

3.1. Legality of the measure

- (43) 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

- (44) 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”.
- (45) 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.
- (46) The measure is imputable to the State, since it is administered by the National Debt Office, a Swedish Government Agency. It is financed through State resources, since the measure takes the form of State guarantee.
- (47) The measure confers an advantage on SAS in the form of a State guarantee on its loan. The measure thus relieves the beneficiary of costs which it would have had to bear under normal market conditions.
- (48) The measure is selective, since it is granted to a single beneficiary, SAS.
- (49) The measure is liable to distort competition, since it strengthens the competitive position of SAS. It also affects trade between Member States, since SAS is active in the aviation sector, in which intra-Union trade exists.
- (50) 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

3.3.1. The notion of exceptional occurrences with the meaning of Article 107(2)(b) TFEU

- (51) Article 107(2)(b) TFEU stipulates that aid to make good damage caused by natural disasters or exceptional occurrences shall be compatible with the internal market. Neither the TFEU, nor other Union legislation contains a precise definition of the notion of exceptional occurrence. As they constitute exceptions to the general prohibition of State aid within the internal market laid down in

Article 107(1) TFEU, the Commission, in line with the consolidated Union case-law¹⁷ has consistently held that the notions of ‘natural disaster’ and ‘exceptional occurrence’ referred to in Article 107(2)(b) TFEU must be interpreted restrictively.

- (52) The characterization of an event as being an exceptional occurrence is made by the Commission on a case-by-case basis, having regard to its previous practice in the field.¹⁸ In this regard, the following indicators relating to the event concerned must be cumulatively met: (i) unforeseeable or difficult to foresee;¹⁹ (ii) significant scale/economic impact²⁰ and (iii) extraordinary.²¹

3.3.2. *COVID-19 as an exceptional occurrence*

- (53) Following the first reports of cases of acute respiratory syndrome (COVID-19) in the Wuhan municipality in China at the end of December 2019, the Chinese authorities have identified a novel coronavirus (SARS-CoV-2) as the main causative agent, which had not been previously identified in humans. The outbreak has rapidly evolved, affecting not only other parts of China but has also spread to the majority of countries worldwide, including almost all EU Member States. Outbreaks of novel virus infections among people are always a public health concern and can have a significant economic impact. Specific sectors and areas are particularly affected by the outbreak, be it because of national outbreak control measures, travel restrictions or supply chain disruptions.

¹⁷ Judgement of the Court of Justice of 11 November 2004, *Spain v. Commission*, C-73/03, ECLI:EU:C:2004:711, paragraph 37 and judgment of the Court of Justice of 23 February 2006, *Giuseppe Atzeni and others*, in joined cases C-346/03 and C-529/03, ECLI:EU:C:2006:130 paragraph 79.

¹⁸ Exceptional occurrences which have been accepted in the past by the Commission include war, internal disturbances and strikes, and, with certain reservations and depending on their extent, major industrial accidents which result in widespread economic loss, see Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020, paragraph 330 (OJ C 204, 1.07.2014, p. 53).

¹⁹ Commission Decision of 1 August 2008, case SA.32163, Remediation of damage to airlines and airports caused by seismic activity in Iceland and the volcanic ash in April 2010, Slovenia, paragraph 31.

²⁰ Elements taken into account by the Commission to consider that the occurrence reached a significant scale: negative consequences cannot be contained (Commission Decision of 4 October 2000 on case NN 62/2000, Régime temporaire d'aides aux entreprises victimes des intempéries et de la marée noire –France), or because of the number of dead or injured people (Commission Decision of 11 April 2012 on case SA.33487, Agricultural and fisheries aid to compensate for damage due to exceptional occurrence (red mud "Aluminium accident"), Hungary, paragraph 35; Commission Decision of 2 May 2002 on case N241/2002, Régime en faveur des entreprises victimes de la catastrophe industrielle de Toulouse, France, paragraph 19), the immense ecological and economic damage (Commission Decision of 11 April 2012 on case SA.33487, paragraph 36), the amount of material damage, despite the local character of the industrial accident (Commission Decision of 2 May 2002 on case N 241/2002, paragraph 19).

²¹ In its Decision of 19 May 2004 in case C-59/2001 (OJ L 62, 2007, p. 14), the Commission considered that the (alleged) fall in sales of poultry meat in a Member State not directly affected by the dioxin contamination did not in itself constitute an exceptional occurrence. Even though it was an unforeseeable event, it formed part of the normal commercial risks to which an undertaking is exposed.

- (54) The World Health Organization (“WHO”) has declared the risk that COVID-19 will spread and have a global impact to be very high. According to WHO reports and observations of the current situation, the spread of COVID-19 can result in far-reaching disruption of various economic sectors. This disruption is thus clearly outside the normal functioning of the market. In order to avoid an exponential increase in the number of cases, accompanied by social alarm and severe economic consequences, containment measures need to be adopted.
- (55) On 11 March 2020, the WHO characterised the COVID-19 disease as a pandemic. The public health risk deriving from the absence of therapeutics or vaccines for the novel COVID-19 virus determine the exceptionality of the circumstances. The rapidity of the spread can cause enormous consequences both in terms of fatal outcomes in high-risk groups and in terms of economic and societal disruption.²² The necessity to adopt and encourage the respect of measures aimed at interrupting transmission chains stems from this acknowledgement.
- (56) In March-April 2020, Member States adopted various measures that aim to limit the spread of the coronavirus, e.g. travel restrictions for non-essential travels, closure of borders, closure of non-essential shops, obligation for companies to organise working from home for every position where this is possible and various social distancing measures.
- (57) In view of the above, this event qualifies as an exceptional occurrence, as it was not foreseeable and is clearly distinguishable from ordinary events, by its character and its effects on the affected undertakings and the economy in general, and therefore falls outside the normal functioning of the market.
- (58) In this context, the COVID-19 can be considered as an exceptional occurrence within the meaning of Article 107(2)(b) TFEU.²³

3.3.3. Causal link between the damage to be compensated by the notified measure and the COVID-19 outbreak

- (59) The Commission has examined the notified individual measure pursuant to Article 107(2)(b) TFEU. This assessment has led to the following observations.
- (60) As described in recital (3), the COVID-19 outbreak has resulted in travel restrictions and closed down the vast majority of passenger air transport. 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

²² ECDC’s Rapid Risk Assessment, Outbreak of novel Coronavirus disease 2019 (COVID-19): increase transmission globally – fifth update, 2 March 2020.

²³ See Commission Decision of 12 March 2020 in State aid case SA.56685 (2020/N) – Denmark – Compensation scheme for cancellation of events related to COVID-19 and Commission Decision of 31 March 2020 in State aid case SA.56765 (2020/N) – France – CODIV-19 Moratoire sur le paiement de taxes et redevances aéronautiques en faveur des entreprises de transport public aérien sous licences d’exploitation délivrées par la France.

Sweden advises against unnecessary trips to all countries at least until 15 June 2020. These containment measures were intended to avoid the spread of the virus. They negatively affect the aviation sector.

- (61) The notified measure aims to compensate SAS for losses suffered due to the cancellation or re-scheduling of its flights as a result of the imposition of travel restrictions linked to the COVID-19 outbreak (recital (9)).
- (62) Therefore, there is a causal link between the damage suffered by SAS and the exceptional occurrence, i.e. the COVID-19 outbreak. In addition, the notified measure is directly linked to this damage due to the COVID-19 outbreak.

3.3.4. *Proportionality of the aid measure*

- (63) In order to be compatible with Article 107(2)(b) TFEU, the aid must be proportional to the damage caused by the exceptional occurrence. Aid must not result in over-compensation of damage; it should only make good the damage caused by the exceptional occurrence.
- (64) At this stage, the COVID-19 crisis is still ongoing and the full impact of the crisis on SAS is not yet known. Therefore, the Swedish authorities are not currently in a position to quantify precisely the damage suffered by SAS. The estimated damage of SAS is established based on the general methodology set out in recital (65)).
- (65) The damage to be compensated corresponds to the loss of added value, calculated according to the following principle: loss of revenue (corrected by the margin of SAS) minus avoided costs. The loss of revenue is the difference between the revenue that SAS would have expected, had the COVID-19 crisis not occurred (a proxy for this is SAS's revenue for the preceding year), and the revenue that SAS generates during the COVID-19 crisis. The loss of revenue will be corrected by the profits that SAS generated in the preceding year. Avoided costs correspond to costs that SAS would have if its activity had not been affected by the COVID-19 crisis, and that SAS does not have to bear as a result of the crisis (fuel, airport taxes, etc.). Avoided costs should be quantified for each relevant type of cost, based on their correlation with the fall in traffic. The avoided costs will be quantified by comparing the costs borne by SAS in the preceding year with the costs borne by SAS during the COVID-19 crisis. The Commission also takes note of the commitment by Sweden to submit for prior approval by the Commission the detailed methodology that will be used to quantify the damage.
- (66) SAS's loss of added value relating to the COVID-19 outbreak is currently estimated at [SEK 5-15 billion] (March 2020-February 2021). SAS's losses directly related to the COVID-19 outbreak have been estimated on the basis of a comparison of SAS's results over the period March 2019 to February 2020 and an estimated budget for the period March 2020-February 2021. The estimated budget includes the expected effects of the COVID-19 outbreak, including additional and avoided costs (recital (30)), and foresees a fall in traffic of approximately [50-60%] between the two periods. This fall in traffic exceeds the estimate of IATA, which estimated in March 2020 that the fall in traffic in Europe would be on average 46% for the year 2020. However, the Commission considers that the estimate of the Swedish authorities is broadly in line with the most recent developments in the COVID-19 outbreak, in particular the plans of most European airlines to ground their fleets in April-May 2020, and their expectations

of a very slow recovery after summer 2020.²⁴ In any case, even if the estimation of the damage to SAS was based on a fall in traffic of 46%, the damage caused by the COVID-19 outbreak would be significantly higher than the amount of the aid.

- (67) The Swedish authorities have committed to carry out by no later than 30 June 2021 an ex-post assessment of the damage suffered by SAS as a result of the COVID-19 outbreak, based on the operating accounts of SAS for the year 2020, audited and duly certified by an independent body and to calculate the precise amount of the aid granted (recital (36)).
- (68) As regards the amount of the aid, it cannot be calculated at this point in time, as SAS has not yet negotiated the terms of the credit facility. The Commission notes that Sweden submits that the amount of the aid should be the difference between the price of the credit facility obtained by SAS with and without the guarantee. However, in view of the situation in the financial markets and the specific difficulty of SAS to obtain financing, the Commission cannot exclude that the amount of the aid should consist of the full amount of the loans obtained thanks to the State guarantees (up to SEK 1.5 billion). However, the Commission notes that even if the full amount of the guarantee constitutes aid, the amount of aid would remain far below the damage expected to be suffered by SAS as set out in recital (32).
- (69) The estimated amount of the aid is therefore less than the estimated damage suffered by SAS due to the COVID-19 outbreak as provided in recital (32).
- (70) The Commission concludes that the notified measure provides for compensation that does not exceed what is necessary to make good the damage.
- (71) The Swedish authorities have committed to submit to the Commission by no later than 30 June 2021 the results of the analysis of the ex-post assessment of the damage, on the basis of the operating accounts of SAS for the year 2020 audited and duly certified by an independent body, and the amount of aid granted.
- (72) If the ex-post assessment shows that SAS has been over-compensated, also taking into account other public aid measures covering the same losses, the Swedish authorities commit to ensure that SAS repays any such over-compensation.
- (73) In view of the above, the Commission concludes that the measure is proportionate.

3.4. Cumulation

- (74) As described in recital (39) and (40), the Commission notes that even if the aid element in the notified guarantee is quantified as the total guaranteed amount, the total aid amount granted by Sweden and Denmark together (potentially amounting to maximum SEK 3 billion) would be significantly lower than the damage expected to be incurred by SAS.

²⁴ See traffic data of SAS for March 2020 in recital (8). See also <https://www.dw.com/en/lufthansa-grounds-germanwings-and-cuts-fleet-size/a-53053398> “Around 700 out of Lufthansa’s 763 aircraft are currently sitting on the ground, and it is currently flying at around 5% of its schedule before the coronavirus crisis”.

- (75) In any event, the Swedish authorities have committed to ensure that SAS repays any over-compensation, should the ex-post assessment mentioned in recital (36) show that the total state aid received by SAS to compensate the damage caused by the COVID-19 outbreak, including any aid granted by, inter alia, the Danish authorities, exceeds the total amount of the damage suffered by SAS.

4. CONCLUSION

In view of the above, and in particular the commitments made by the Swedish authorities: (i) to submit for prior approval by the Commission the methodology that will be used to quantify the damage suffered by SAS as a result of the COVID-19 outbreak; (ii) to submit to the Commission by no later than 30 June 2021 the results of the ex-post analysis of the quantification of the damage and of the aid granted; and (iii) to recover any over-compensation, should the ex-post assessment show that the total State aid received by SAS exceeds the amount of the damage suffered by SAS; the Commission has decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(2)(b) of the Treaty on the Functioning of the European Union.

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:

European Commission,
Directorate-General for Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

