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**Subject: State Aid SA.59524 (2020/N) – Lithuania
COVID-19: Prolongation of SA.58645 (2020/N) - COVID-19 related
research, development and production support scheme**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 13 November 2020, Lithuania notified a prolongation of its COVID-19 related research, development and production support scheme (“the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).¹ By emails of 3, 7, and 8 December 2020, the Lithuanian authorities provided further information.

¹ 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, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of 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, by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3, by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3 and by Communication from the Commission C(2020) 7127 final of 13 October 2020 on the Fourth Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance, OJ C 340 I, 13.10.2020, p. 1.

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- (2) This is the first prolongation of the State aid scheme approved by the Commission's Decision of C (2020) 6944 of 6 October 2020 under the reference SA.58645 (2020/N) ("the initial scheme").
- (3) Lithuania 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 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (4) The initial scheme is composed of two sub-measures and aims at supporting COVID-19 relevant R&D activities (sub-measure 1), as well as investments to create capacities for the production of products needed to respond to the COVID-19 outbreak (sub-measure 2). According to Lithuania, given the public health crisis and the shortage of certain related products, it is crucial that the State can continue to provide incentives to companies to direct their activities to research on and production of certain products, which are crucial to address that crisis. Lithuania considers that the measure contributes to address the public health crisis.
- (5) Under the initial scheme, individual aid under both measures could be granted until 31 December 2020. Following the prolongation of the Temporary Framework³ to further support the economy in the context of the COVID-19 outbreak, Lithuania intends to prolong the initial scheme by six additional months⁴. Therefore, aid may be granted under the scheme, as amended, until 30 June 2021.
- (6) All the other elements of the initial scheme will remain as described in the initial Decision of 6 October 2020 (recitals (3) to (9) and (11) to (39)). The Lithuanian authorities confirmed that the commitments provided for the purposes of the initial scheme are valid in their entirety also for the measure.
- (7) The compatibility assessment of the measure is based on Article 107(3)(c) TFEU, in light of Sections 3.6 and 3.8 of the Temporary Framework.

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

³ See footnote 1 above.

⁴ Based on the following national legal basis: "*Draft Order of the Minister of Economy and Innovation of the Republic of Lithuania "Amending Order No 4-938 of 26 October 2020 of the Minister of Economy and Innovation of the Republic of Lithuania "On the Approval of the Description of the Project Financing terms and Conditions of the Measure No. 01.2.1-LVPA-T-858 "COVID-19 R&D" of Priority 1 "Promotion of Research, Experimental development and Innovation" of the Operational Programme for EU Structural Funds Investments for 2014-2020" and "Draft Order of the Minister of Economy and Innovation of the Republic of Lithuania "Amending Order No 4-939 of 26 October 2020 of the Minister of Economy and Innovation of the Republic of Lithuania "On the Approval of the Description of the Project Financing Terms and Conditions of the Measure No. 03.3.1-LVPA-T-859 "COVID-19 products" of Priority 3 "Promotion of Competitiveness of Small and Medium-sized Enterprises" of the Operational Programme for EU Structural Funds Investments for 2014-2020" (date of entry into force after approval by the European Commission).*

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (9) The qualification of the initial scheme as State aid was established in the initial Decision. The notified prolongation, as described above, does not alter the conclusion that the scheme, as amended, constitutes aid within the meaning of Article 107(1) TFEU, as set out in recitals (41) to (46) of the Decision dated 6 October 2020.

3.3. Compatibility

- (10) Since the scheme as amended by the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to assess its compatibility with the internal market.
- (11) Pursuant to Article 107(3)(c) TFEU, the Commission may declare compatible with the internal market *“aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest”*.
- (12) By amending the Temporary Framework on 3 April 2020, the Commission acknowledged the need to take specific temporary measures enabling Member States to address the health crisis caused by the COVID-19 outbreak. The measure aims at enhancing and accelerating COVID-19 relevant research and at creating capacities for the production of products needed to respond to the COVID-19 outbreak. The measure has been designed to meet the requirements of the specific categories of aid *“Aid for COVID-19 relevant research and development”* and *“Investment aid for the production of COVID-19 relevant products”*, laid down in Sections 3.6 and 3.8 of the Temporary Framework.
- (13) The Commission refers to the compatibility analysis set out in recitals (47) to (57) of the initial Decision. The amendment of the initial measure, as notified, is limited to the prolongation of the scheme’s duration until 30 June 2021 (see recital (5) above).
- (14) In the light of the above elements, the Commission considers that the measure does not alter the Commission’s conclusion on the compatibility of the aid scheme under the Temporary Framework, the validity of which was prolonged on 13 October 2020 until 30 June 2021 for the reasons set out in recitals (5) and (12) above. The Commission has taken due consideration of the objective pursued by the measure and its positive effects on tackling the health crisis provoked by the COVID-19 outbreak when balancing those effects against the potential negative effects of the measure on the internal market. The Commission concludes that those positive effects of the measure outweigh its potential negative effects on competition and trade.

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

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President