

**Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021**

SUMMARY

- The meeting is with Mr Leo Varadkar and was requested by the Irish authorities.
- Videoconference of 1 hour on 25/1/2021 from 16:45 – 17:45
- Purpose of the meeting: discuss the effects of the revision of the Regional Aid Guidelines, the COVID-19 crisis and the Brexit on Ireland.

Name of topic/case

- **Objective of the other side:** To plead for a higher population coverage for regional aid in Ireland for the period 2022-2027 (and probably also higher aid intensities).
- **Objective of the Commission:** To manage the expectations of Ireland and to point to the fact that the loss of population coverage is not linked to Brexit, but to the economic development of the Irish regions. You might mention that you are considering advancing the mid-term review by one year (2023 instead of 2024).

REVISION OF THE REGIONAL AID GUIDELINES – IMPACT ON IRELAND

KEY MESSAGES

- The Commission services are carefully reflecting on the comments and proposals we received from all Member States on the draft guidelines, including your position paper.
- We received a clear signal from Member States that the regional aid maps are outdated and need updating. An even further prolongation of the current Irish regional aid map (which is based on economic data more than ten years old) until 2024 appears therefore hard to defend.
- In the past, Gross Domestic Product (GDP) has proven to be a good indicator for regional aid purposes and is accepted by most Member States. The use of Gross National Income seems less appropriate to define 'a' areas, already because of the absence of a regional dimension of this data.
- I noted the significant loss of population coverage for Ireland, however this is linked to the relatively good economic development of its regions and not caused by Brexit.
- [CONFIDENTIAL] We proposed, in the current inter service consultation on the revised draft guidelines, to advance the mid-term review to 2023 (instead of 2024) to take into account the COVID-19 crisis and the Brexit effects. You might want to hint at this. We also proposed to increase the overall population coverage from 47% to 48%. However, this does not change anything for Ireland, given the economic development of its regions. [END CONFIDENTIAL]

NECESSARY FACTS AND FIGURES

The revision of the regional aid guidelines is based on a detailed evaluation process that was performed in the context of the Fitness Check of the 2012 State aid modernisation package to assess if the rules were still fit for purpose. The results showed that the guidelines worked overall well as disparities in the EU could be further reduced, but require some targeted adjustments for the following period.

The current guidelines are based on 2008-2010 Eurostat statistics. An update based on more recent economic data is necessary to reflect current economic developments. The Commission is well aware of the economic impact of the COVID-19 outbreak and Brexit for Ireland and all other Member States. Since those are not yet reflected in the available statistics, the draft text proposes a mid-term review that will allow updating the regional aid maps to address the difficulties of Member States most affected. A prolongation of the current maps until 2024 is however not appropriate, since those maps are based on data which is 10 to 12 years old and therefore do not reflect economic reality. The draft guidelines take into account the statistical Brexit effect in the proposed population coverage of 47% and suggest to maintain the safety net provision, which will prevent that Ireland will lose more than 50% of its current coverage.

**Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021**

[CONFIDENTIAL]: You decided to increase the overall population coverage from 47% to 48%. However, this does not change the population coverage for Ireland, given the economic development of its regions. You decided to keep a potential change of the safety net mechanism from 50% to 40% as a backup option. This option would allow Ireland to increase its population coverage from 25.64% to 30.77%. Increase of the safety net would also mean an increase in the population coverage for Northern Ireland from 50% to 60%. CONFIDENTIAL END]

The methodology used for the calculation of the regional aid maps requires the use of homogenous and reliable data that are sufficiently available at regional level for all Member States. Historically, the indicator of the gross domestic product has been used, as it fulfils all of the required conditions and adequately reflects the economic situation of Member States. On the contrary, the gross national income is only available at the statistical level of the Member State and not at the level of NUTS2 or NUTS3 regions. Therefore the GNI is considered as not suitable to determine the economic situation of disadvantaged areas in the EU.

In principle, regional aid rules allow for higher aid intensities for areas that share a land border with a country outside the EEA or the EFTA. However, according to the Northern Ireland protocol agreement, Northern Ireland is to be treated « as a Member State ». We are therefore of the preliminary view that Ireland will not be able to make use of this possibility. However, the same applies to Northern Ireland. [CONFIDENTIAL: We proposed, in the final interservice consultation, a coverage for Northern Ireland of 50% of population (currently fully covered as assisted area). CONFIDENTIAL END]

ANNEXES

HT.4131 REVISION OF THE REGIONAL AID GUIDELINES – IRELAND

BACKGROUND INFORMATION

1. Changes in % of the Irish population covered under the Regional aid guidelines

	Current status (2014-2020)	Public consultation (47% population coverage and 50% safety net)	CONFIDENTIAL New proposal (48% population coverage and 50% safety net)
a coverage	0.00%	0.00%	0.00%
Predefined c	0.00%	0.00%	0.00%

Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021

coverage			
Free c coverage	51.28%	25.64%	25.64%
Total	51.28%	25.64%	25.64%

The new population coverage of Ireland is dependent upon the safety net. In the draft guidelines as published for stakeholder consultation, we maintained the provision according to which Member States cannot lose more than 50% of their current population coverage.

2. Main issues raised by Ireland during the public consultation

Issue	Proposal/response
Ireland is using a lot of regional aid. Disparities are increasing, in particular in sectors heavily affected by the COVID-19 crisis (retails etc.). Brexit will also significantly affect Ireland.	The Commission is well aware of the challenges that Ireland is facing due to Brexit. The population coverage of 47% takes into account the statistical effect of Brexit and the additional need for private investments under the Green Deal. However, looking at the statistics, Ireland has several regions that have developed very well. This would result in a population coverage for Ireland of 23.42%. Thanks to the safety net, Ireland will still have a coverage of 25.64%.
Review under these circumstances is inappropriate because economic reality is not properly reflected, regional aid maps should be prolonged until 2024.	<p>The revision of the regional aid guidelines is based on a detailed evaluation in the context of the Fitness Check. One of the evaluation results was the urgent need to update the guidelines based on more recent economic statistics, since the current Regional aid guidelines 2014-2020 are based on the Eurostat data of 2008. It is obvious that those data cannot be maintained for the next period.</p> <p>The draft guidelines were updated based on the Eurostat data on GDP of 2016-2018 and the unemployment data of 2017-2019. Those are the latest data currently available. To reflect the changing economic reality, we have provided for a mid-term review that will allow updating the maps based on the latest available statistics in 2024.</p> <p>[CONFIDENTIAL] During the weekly meeting you agreed to move the mid-term review forward in light of the economic</p>

Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021

	crisis from 2024 to 2023. This would include the GDP statistics 2019-2021. [CONFIDENTIAL END]
Based on the proposed RAG, Ireland would lose 50 % of its population coverage	Looking at the statistics, Ireland has several regions that have developed very well. This would result in a population coverage for Ireland of 23.42%. Thanks to the safety net, Ireland will still have a coverage of 25.64%. [CONFIDENTIAL: You decided to keep a potential change of the safety net mechanism from 50% to 40% as a backup option. This option would allow Ireland to increase its population coverage from 25.64% to 30.77%. CONFIDENTIAL END]
Use instead of GDP/capita the Gross National Income (GNI) as an indicator	The evaluation results showed that the methodology for the definition of 'a' and 'c' areas worked well and we therefore do not consider any changes. It is also important to keep in mind that the designation of assisted areas requires the use of homogenous and reliable data that are available at regional level. Gross National Income is, as the name says, only available at national level and therefore not suitable for the methodology under the regional aid guidelines and regional cohesion policy. To the contrary, GDP statistics are also available at regional level.
Ireland proposed to recognise remote working in RAG and to permit regional aid amounts on the basis of where employees are based, e.g. where an employer can satisfactorily demonstrate that over 70% of their employees for a particular project are working remotely for at least 85% of their working time, the maximum level of aid intensity that applies to that project ought to be the level of aid intensity applicable to the region(s) where the remote working is taking place.	Despite the increased use of remote working because of the COVID-19 outbreak, we do not plan any provisions on this in the guidelines. To base aid intensities on the location of employees, be it remote workers or commuters, could have a counter-cohesion effect, as undertakings would not be incentivized anymore to establish in the areas most in need.
Increased aid to large enterprises and support to small mid-caps	Large undertakings tend to be less affected than SMEs by regional handicaps for investing or maintaining economic activity in less developed areas, since they

Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021

	<p>can more easily obtain capital and credit on global markets, can produce economies of scale that reduce location specific initial costs, are not bound to the region in which the investment takes place, and possess considerable bargaining power. Taking into account that large investment projects are also more likely to distort the internal market, we consider the possibilities to support large enterprises in 'c'-areas proposed in the draft guidelines on which stakeholders were consulted to be sufficient. Support for investments into new economic activities can be supported also in the future and for many areas, at a higher maximum aid intensity</p>
Separate coverage for JTF areas	<p>It would be difficult to include a separate 'c'-coverage since this would necessarily increase the total coverage beyond 50% or be to the detriment of 'a'-areas.</p> <p>The revision of the Regional aid guidelines will take into account new policy objectives, including the Green Deal and a general increase of the aid intensities is proposed to provide additional incentives for private investments to support the twin transition.</p> <p>[CONFIDENTIAL] You agreed to a bonus for just transition regions located in assisted areas of +5% for c-regions and +10% for a-regions. [CONFIDENTIAL]</p>
Treatment of non EEA-border regions, in particular the border region to the UK. Based on the EU27 statistics, the region bordering the UK will not be designated as an 'a'-area	<p>Ireland can still designate the Irish border region as a non-predefined 'c'-area subject to a maximum aid intensity of 15%.</p> <p>The draft guidelines as published for stakeholder consultation provide for a mid-term review in 2024 for all Member States to take into account updated statistics.</p> <p>It has to be noted that the NUTS 2 region "Northern and Western" (including the border area) currently has a GDP of</p>

**Briefing for Executive Vice-President Vestager
Meeting with Leo Varadkar,
Ireland's Tánaiste and Minister for Enterprise, Trade and Employment
25/01/2021**

	<p>76.33%. If this figure would further deteriorate, the region might qualify as 'a'-area at the time of the review.</p> <p>[CONFIDENTIAL] During the weekly meeting you agreed to move the mid-term review forward in light of the economic crisis from 2024 to 2023. This would include the GDP statistics 2019-2021. CONFIDENTIAL END]</p>
--	---

Updated on: 19/1/2021