Summary of EU Guidelines on State aid to Airports and Airlines*

Summary of Existing State Aid Rules

The main rules governing State aid to airports and airlines are enshrined in the EC's *Guidelines on State aid to airports and airlines 2014/C 99/03*.

These guidelines cover 3 key areas:

1. **Investment Aid**

The EC are mostly concerned with airports spending State money / resources on unnecessary airport capacity. So if the investment can be deemed necessary, by increasing mobility of EU citizens, easing congestion at major airports or increasing regional development, the EC will take a kinder view. They also make certain assumptions about the ability of different sized airports to cover their own cost of capital:

Airport Pax Volume	Capital Cost Coverage
Up to 200,000	Not able to cover to a large extent
200,000 – 1m	Usually not able to cover to a large extent
1m – 3m	Should be able to cover to a greater extent
3m – 5m	Should be able to cover all costs
5m +	Usually profitable and able to cover all costs

Consequently, the EC have created a maximum aid intensity that they view as permissible based on the size of the airport. The percentages are based on the amount of aid necessary for the project, and there needs to be an *ex ante* business plan the funding needs and gaps.

Airport Pax Volume	Maximum Aid Intensity
3m – 5m	Up to 25%
1m – 3m	Up to 50%
< 1m	Up to 75%

2. **Operating Aid**

Similar to investment aid, if operating aid can be shown to increase mobility of EU citizens, ease congestion at major airports or enhance regional development it is viewed more favourably by the EC. Also, in a similar way to investment aid, the EC categorises airports of different sizes and their ability to cover their own costs.

Airport Pax Volume	Cost Coverage
Up to 200,000	Not able to cover costs to a large extent
200,000 – 700,000	Not able to cover costs to a substantial extent
700,000 – 1m	In general, able to cover to a greater extent
1m – 3m	On average able to cover majority of costs
3m +	Usually profitable at operating level and able to cover operating costs

**This paper is intended as a briefing note only and a summary of the main aspects of the relevant guidelines. For a more detailed assessment or advise on this matter, it is advisable to contact a qualified State aid lawyer.*

The operating aid should be limited to transitional timeframe of 10 years from 2014. The amount of aid required also needs to be calculated based on an ex ante business plan demonstrating the exact funding gap and showing that cost overage will be achievable within the transitional period.

3. Start-up Aid to Airlines

This is a relatively weak instrument and is unlikely to be of much value to a regional airport like Haugesund in attracting new airlines. The guidelines allow for start-up aid that may cover up to 50% of and airlines' airport charges in respect of a route for a maximum period of three years. The eligible costs are the airport charges in respect of the route.