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Subject: State Aid SA.115132 (2024/N) – Slovakia
TCTF: State aid scheme to support livestock production as a result of Russia's aggression against Ukraine

Excellency,

1. PROCEDURE

(1) By electronic notification of 17 July 2024, Slovakia notified aid in the form of limited amounts of aid (TCTF: *"Schéma štátnej pomoci na podporu živočíšnej výroby v dôsledku agresie Ruska proti Ukrajine"*, "the measure") under the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the "Temporary Crisis and Transition Framework") ([1]).

([1]) Communication from the Commission on the Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia (OJ C 101, 17.3.2023, p. 3), as amended by Commission Communication C(2023)8045 (OJ C1188, 21.11.2023, ELI: http://data.europa.eu/eli/C/2023/1188/oj). ("First Amendment to the Temporary Crisis and Transition Framework") and C(2024)3113 (OJ C3113, 2.5.2024, ELI: http://data.europa.eu/eli/C/2024/3113/oj) ("Second Amendment to the Temporary Crisis and Transition Framework"). This Temporary Crisis and Transition Framework replaces the Temporary Crisis Framework adopted on 28 October 2022 (OJ C 426, 9.11.2022, p. 1), ('Temporary Crisis Framework'), which had already replaced the previous Temporary Crisis Framework adopted on 23 March 2022 (OJ C 131I, 24.3.2022, p. 1), as amended on 20 July 2022 (OJ C 280, 21.7.2022, p. 1). The Temporary Crisis Framework was withdrawn with effect from 9 March 2023.

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(2) Slovakia 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 1/1958 ([2]) and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(3) Slovakia considers that the Russian aggression against Ukraine and its direct and indirect effects, including the sanctions imposed and the countermeasures taken for example by Russia, have economic repercussions on the entire internal market (“the current crisis”). According to the Slovak authorities, the current crisis has created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including fertilisers, highly relevant for the agricultural sector.

(4) The Slovak authorities have explained that the current crisis has direct and indirect repercussions on the Slovak economy in general and in particular, on the agricultural sector. Thus, the measure aims at addressing the liquidity shortage faced by certain categories of farmers in the sector concerned who are directly affected by the serious disturbance of the economy.

(5) Slovakia confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the European Economic Area (“EEA”) to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

(6) The compatibility assessment of the measure is based on Article 107(3), point (b), TFEU, in light of sections 1 and 2.1 of the Temporary Crisis and Transition Framework.

2.1. The nature and form of aid

(7) The measure provides aid on the basis of a scheme in the form of direct grants.

2.2. Legal basis

(8) The legal bases for the measure are:

(a) Law no. 277/2023 Coll. on the provision of subsidies within the purview of the Ministry of Agriculture and Rural Development of the Slovak Republic and on the amendment and supplementation of certain laws;

(b) Law no. 280/2017 Coll. on the provision of support and subsidies in agriculture and rural development and on the amendment of Act no. 292/2014 Coll. on the contribution provided from the European structural and investment funds and on the amendment of certain laws as amended;

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

(c) Law no. 358/2015 Coll. on the adjustment of certain relations in the field of state aid and minimum aid and on the amendment of certain laws (Act on State Aid);

(d) Law no. 357/2015 Coll. on financial control and audit and on the amendment of certain laws as amended;

(e) Law no. 523/2004 Coll. on budgetary rules of public administration and amendments to certain laws, as amended;

(f) Law no. 177/2018 Coll. on some measures to reduce the administrative burden by using public administration information systems and on the amendment of some laws (law against bureaucracy);

(g) Law no. 194/1998 Coll. on the breeding of farm animals and on amendments to Act no. 455/1991 Coll. on trade entrepreneurship (Trade Act) as amended;

(h) Law no. 39/2007 Coll. on veterinary care as amended;

(i) the Regulations of the Ministry of Agriculture and Rural Development "*State aid scheme to support primary agricultural production, fisheries and aquaculture following Russia's aggression against Ukraine*".

2.3. Administration of the measure

(9) The Ministry of Agriculture and Rural Development ([3]) will be responsible for administering the measure.

2.4. Budget and duration of the measure

(10) The estimated budget of the measure is EUR 25 million financed from the State budget.

(11) Aid may be granted under the measure as from the notification of the Commission's decision approving the measure ([4]) until no later than 31 December 2024.

2.5. Beneficiaries

(12) The final beneficiaries of the measure are undertakings operating in the primary agricultural production, specifically in the livestock production that are affected by the crisis (the "beneficiaries"). The estimated number of beneficiaries is more than 1 000.

(13) Slovakia confirms that the aid under the measure is not granted to undertakings under sanctions adopted by the Union, including but not limited to: (i) persons,

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([3]) *Ministerstvo pôdohospodárstva a rozvoja vidieka Slovenskej republiky*.

([4]) According to § 9 par. 1 of the State Aid Act (national legal basis mentioned in recital (8) (c)), any State aid can be granted on the basis of notified schemes only if it is approved by the European Commission.

entities or bodies specifically named in the legal acts imposing those sanctions; (ii) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the Union; or (iii) undertakings active in industries targeted by sanctions adopted by the Union, insofar as the aid would undermine the objectives of the relevant sanctions.

(14) Slovakia confirms that the measure may not in any way be used to undermine the intended effects of sanctions imposed by the Union or its international partners and will be in full compliance with the anti-circumvention rules of the applicable regulations ([5]). In particular, natural persons or entities subject to the sanctions will not benefit directly or indirectly from the measure.

2.6. Sectoral and regional scope of the measure

(15) The measure is open to undertakings active in the primary agricultural sector, specifically in the livestock production. It applies to the whole territory of Slovakia. Slovakia confirms that credit institutions or other financial institutions are excluded from being beneficiaries of the aid.

2.7. Basic elements of the measure

(16) The measure aims to provide assistance to livestock producers that are at risk of losing financial liquidity due to the increase of the production costs provoked by the current crisis.

(17) For the calculation of the aid, the number of animals of individual species and categories of farm animals will be determined according to the data recorded in the Central Livestock Register as of 30 June 2024, except for other pigs and chickens for meat production. The number of other pigs and chickens for meat production will be determined according to the data in the Central Livestock Register as an average of the number at the end of each month for the period January to June 2024, while the zero state at the end of the month will not be taken into account for a maximum of two months. The number of individual species and categories of farm animals is converted into livestock units according to the following coefficients:

(a) cattle:

– less than six months: 0.4;

– from six months to two years inclusive: 0.6;

– more than two years: 1.0;

(b) equine more than six months: 1.0;

(c) sheep and goats: 0.15;

(d) pigs:

([5]) For example, Article 12 of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

– breeding sows > 50 kg: 0.5;

– other pigs: 0.3;

(e) poultry:

– chickens: 0.014;

– chickens for meat production: 0.0046;

– other poultry: 0.03.

(18) The aid under the measure per livestock unit will be equal to:

(a) EUR 80 for dairy cows ([6]) and lactating cows ([7]) in breeding farms;

(b) EUR 70 for other dairy cows and lactating cows;

(c) EUR 70 for other male cattle aged between 6 and 18 months and females aged between 18 and 24 months;

(d) EUR 100 for sheep and goats in breeding and reproductive farms;

(e) EUR 50 for other sheep and goats;

(f) EUR 70 for sows in breeding and reproductive farms;

(g) EUR 30 for other sows;

(h) EUR 20 for other pigs;

(i) EUR 36 for chickens;

(j) EUR 30 for other poultry;

(k) EUR 30 for Equidae aged more than six months.

(19) The overall nominal value of the direct grants under the measure will not exceed EUR 280 000 per undertaking per Member State, at any given point in time; all figures are gross, that is, before any deduction of tax or other charges.

(20) The Slovak authorities confirm that the aid is not fixed on the basis of the price or quantity of products put on the market.

([6]) A dairy cow for the purpose of this scheme is a cow registered in the Central Livestock Register as a dairy cow, which gave birth to at least one calf registered in the Central Livestock Register between 1st January 2023 and 30 June 2024.

([7]) A lactating cow for the purpose of this scheme is a cow registered in the Central Livestock Register as a lactating cow, which gave birth to at least one calf registered in the Central Livestock Register between 1st January 2023 and 30 June 2024.

2.8. Compliance with relevant provisions of Union law

(21) The Slovak authorities confirm that the proposed measures do not by themselves, or by the conditions attached to them or by their financing method constitute a non-severable violation of Union law.

2.9. Cumulation

(22) The Slovak authorities confirm that aid granted under the measure may be cumulated with support under *de minimis* Regulations ([8]) or aid under the Block Exemption Regulations ([9]) provided the provisions and cumulation rules of those Regulations are respected.

(23) The Slovak authorities confirm that aid under the measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.

(24) The Slovak authorities confirm that aid under the measure may be cumulated with aid under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ([10]) ("COVID-19 Temporary Framework") provided the respective cumulation rules are respected.

(25) The Slovak authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Crisis and Transition Framework provided the provisions in those specific sections are respected.

(26) Slovakia confirms that for aid granted under section 2.1 of the Temporary Crisis and Transition Framework and the previous Temporary Crisis Framework, the aid ceilings provided in the respective sections of the Temporary Crisis and Transition Framework are respected at any point in time.

(27) The Slovak authorities confirm that if a beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 2.1 of the Temporary Crisis and Transition Framework, the overall maximum cap per undertaking per Member State, as set out in points 61(a) and in 62(a) of that framework, will be respected.

([8]) Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 2023/2831, 15.12.2023), Commission Regulation (EU) No 1408/2013 and Commission Regulation (EU) 2023/2832 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest (OJ L 2023/2832, 15.12.2023).

([9]) Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1) and Commission Regulation (EU) 2022/2472.

([10]) 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 Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), C(2021) 8442 (OJ C 473, 24.11.2021, p. 1) and C(2022) 7902 (OJ C 423, 7.11.2022, p. 9).

Aid granted under the measure and other measures approved by the Commission under section 2.1 of the previous Temporary Crisis Framework or under the Temporary Crisis and Transition Framework which has been reimbursed before granting of new aid under that section will not be taken into account in determining whether the relevant ceiling is exceeded.

2.10. Monitoring and reporting

(28) The Slovak authorities confirm that they will respect the monitoring and reporting obligations laid down in section 3 of the Temporary Crisis and Transition Framework (including the obligation to publish relevant information on each individual aid above EUR 10 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within twelve months from the moment of granting ([11])).

3. ASSESSMENT

3.1. Lawfulness of the measure

(29) By notifying the measure before putting it into effect, the Slovak authorities have respected their obligations under Article 108(3) TFEU (recital (11)).

3.2. Existence of State aid

(30) 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.

(31) The measure is imputable to the State, since it is administered by the Ministry of Agriculture and Rural Development (recital (9)) and it is based on the legal acts mentioned in recital (8). It is financed through State resources since it is financed by public funds (recital (10)).

(32) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (7)). The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.

(33) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e., undertakings active in the livestock production, excluding among others the financial sector (recital (15)), while other undertakings in a comparable legal and factual situation within that sector or other sectors (considering that all economic operators should in principle cover their own costs), are not eligible for aid and thus will not receive the same advantage.

([11]) Referring to information required in Annex III to Commission Regulation (EU) 2022/2472.

(34) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in a sector in which intra-Union trade exists.

(35) Therefore, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Slovak authorities do not contest that conclusion.

3.3. Compatibility

(36) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(37) Pursuant to Article 107(3), point (b), TFEU the Commission may declare compatible with the internal market aid "*to remedy a serious disturbance in the economy of a Member State*".

(38) By adopting the Temporary Crisis and Transition Framework, the Commission acknowledged (in Section 1) that the current crisis has created significant economic uncertainties, disrupted trade flows and supply chains, and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including in the agricultural sector.

(39) Those effects taken together have caused a serious disturbance of the economy in all Member States, including in the economy of Slovakia. The Commission concluded that State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3), point (b), TFEU for a limited period if it serves to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy.

(40) The measure aims at providing liquidity to certain undertakings active in the primary agricultural production at a time when a wide range of economic sectors are affected, the normal functioning of markets is severely disturbed leading to severe disturbances of the real economy of Member States, including in the economy of Slovakia.

(41) The measure is one of a series of measures conceived at national level by the Slovak authorities to remedy a serious disturbance in their economy. The importance of the measure to ensure sufficient liquidity of the beneficiaries severely impacted by cost increases of energy, and other production inputs is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Slovak economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Limited amounts of aid*") described in section 2.1 of the Temporary Crisis and Transition Framework.

(42) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the relevant conditions of the Temporary Crisis and Transition Framework. In particular:

- the aid takes the form of direct grants (recital (7));
- the overall nominal value of the grants does not exceed EUR 280 000 per undertaking active in the primary production of agricultural products per Member State; all figures used are gross, that is before any deduction of tax or other charges (recital (19)). If the beneficiary receives aid on several occasions under the measure or aid under other measures approved by the Commission under section 2.1 of the Temporary Crisis and Transition Framework, the overall maximum cap per undertaking, per Member State, as set out in points 61(a) or 62(a) of that framework, will be respected (recital (27)). The measure therefore complies with point 62(a) of the Temporary Crisis and Transition Framework;
- aid is granted under the measure on the basis of a scheme (recital (7)) with an estimated budget, as indicated in recital (10). The measure therefore complies with point 61(b) of the Temporary Crisis and Transition Framework;
- aid will be granted under the measure no later than 31 December 2024, as indicated in recital (11). The measure therefore complies with point 61(c) of the Temporary Crisis and Transition Framework;
- aid will be granted only to undertakings affected by the current crisis (recitals (3), (12) and (16)). The Commission notes that while the economic disturbance affects the economy widely across all Member States, the implementation of certain measures to effectively remedy these effects may require more time specifically in the sector for primary production of agricultural products, characterised by a particular high share of small undertakings. This sector is characterised by annual growths seasons and harvesting cycles, which are relevant sector-specific features to be considered, including the need to acquire inputs at a time of particularly high prices whilst selling the resulting products at the current depressed prices. Against this background, the Commission considers that those undertakings can be considered undertakings affected by the current crisis for the purpose of point 61(d) of the Temporary Crisis and Transition Framework without the notifying Member State having to provide any further justification, in line with point 7 of the Second Amendment to the Temporary Crisis and Transition Framework. The measure therefore complies with point 61(d) of the Temporary Crisis and Transition Framework;
- aid granted is not fixed on the basis of the price or quantity of products put on the market (recital (20)). The measure therefore complies with point 62(b) of the Temporary Crisis and Transition Framework.

(43) State aid measures that entail, by themselves, by the conditions attached to them or by their financing method a non-severable violation of Union law cannot be declared compatible with the internal market ([12]).

([12]) Judgment of 31 January 2023, *Commission v Braesch and Others*, C-284/21 P, EU:C:2023:58, paragraphs 96 *et seq.*

(44) Slovakia confirms that the proposed measures do not by themselves, or by the conditions attached to them or by their financing method constitute a non-severable violation of Union law (see recital (21)). In addition, the Commission has no indications of any possible breach of Union law that would prevent the notified measure from being declared compatible with the internal market.

(45) Therefore, the Commission considers that the measure does not infringe any relevant provisions of Union law.

(46) Slovakia confirms that, in accordance with point 95 of the Temporary Crisis and Transition Framework, overall aid granted under section 2.1 of the previous Temporary Crisis Framework and the Temporary Crisis and Transition Framework will not exceed the aid ceilings provided in the respective section of the Temporary Crisis and Transition Framework at any point in time (see recital (26)).

(47) The Slovak authorities confirm that, pursuant to point 51 of the Temporary Crisis and Transition Framework, the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (5)).

(48) The Slovak authorities confirm that, pursuant to point 52 of the Temporary Crisis and Transition Framework, the aid under the measure will not be granted to undertakings under sanctions adopted by the Union, including but not limited to: a) persons, entities or bodies specifically named in the legal acts imposing those sanctions; b) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the Union; or c) undertakings active in industries targeted by sanctions adopted by the Union, insofar as the aid would undermine the objectives of the relevant sanctions (recitals (13) and (14)).

(49) The Slovak authorities confirm that the monitoring and reporting rules laid down in section 3 of the Temporary Crisis and Transition Framework will be respected (recital (28)). The Slovak authorities further confirm that the aid under the measure may only be cumulated with other aid if the specific provisions in the relevant sections of the Temporary Crisis and Transition Framework, the COVID-19 Temporary Framework and the cumulation rules in the relevant Regulations are respected (recitals (22) to (25)).

(50) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3), point (b), TFEU since it meets all the relevant conditions of the Temporary Crisis and Transition Framework.

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), point (b), 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: https://competition-cases.ec.europa.eu/search?caseInstrument=SA.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President