

To:  
Commissioner Margrethe Vestager  
European Commission, Brussels

**Dear Madam Commissioner**

*The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), the seven eastern and northernmost of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo), as well as the two northernmost regions of Norway (Nordland, Troms & Finnmark).*

The Network of Northern Sparsely Populated Areas, NSPA, are happy for the good dialogue with the EU institutions. We appreciate the support given by the EU and would want to contribute to the ongoing state-aid revision. For us, the EU cohesion policy and the state-aid are the two sides of the same coin for adapted actions.

**Regions in the forefront, but with challenges to overcome where EU makes a difference**

We are regions in the fore-front in many areas, not least in the green shift, and we do have assets for all of the EU, such as raw-materials, forestry, clean energy that do have large future potentials.

However, Northern Sparsely Populated Areas are the European Arctic regions with some specific conditions that do delivers market failures, due to;

- lack of own critical mass as a result of being few peoples on vast areas,
- remoteness with long distances to the larger markets for the business,
- an overall harsh climate for large parts of the year,
- still too dependent on a natural resource dependent economy.

We can show the difference that the EU regional support have made, more and more are also complemented by for example the EU research and innovation funds. To this can be added the EU state-aid exemptions. Without those tools, we would not be where we are today, doing well in for example EU innovation and social index score boards, in turn delivering added value to all of Europe.

It is, though, important to understand, as was put forward by OECD in their study on the NSPA, that we are still vulnerable societies with, to large extent, a continued negative demography.

**Need of continued adapted support interlinked to general exceptions in the state-aid regulations**

To continue to make challenges to become potentials, there is a need of continued external engagement and support, to be able to take part on the European internal market on the same terms as other parts of the EU and EEA.

We therefore overall appreciate the current state-aid regulations, as they acknowledge the specific conditions for the sparsely populated areas and give some specific exceptions out of defined circumstances for a fair market access also with the specific challenges and permanent handicaps.

We overall find it important to align the different EU tools and regulations to use the same definitions and exceptions, as the EU regional funds and the state-aid, to deliver a common toolbox. The aim is not to over-compensate or give competition advantages; on the contrary, it is about balancing different actions to give all parts of the EU to compete on the same level playing field.

**Flexibility to address short term needs and long-term needs of market-failures**

We also, of course, see the need of support for large scale efforts as the green shift, digitalization and industrial renewal and, to this, the handling and recovery from the Covid-19 crisis. All of big relevance for our regions, being actively engaged in the green transition and also hit by covid-19, not

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least in the for our for job-creation increasingly important tourism industry, that is so dependent on global tourism flows rather than national or even internal european tourism.

However, the aim for these efforts, are in general to foster long-term competitiveness for the investments and actions made. More flexible state-aid regulations are a tool to make the change as such and handle an acute crisis, but not for the long run.

It is therefore important to separate the specific temporary general actions to deliver new market possibilities overall in Europe, from the more permanent exceptions to compensate for market failures for regions in a specified geo-political context, as for the EU's own and close Arctic areas in the NSPA, likewise the Outermost regions. Areas that do have some special common specificities in a defined geography constituting a very small own home-market within the larger EU internal market.

This, to also in the long run avoid need of even more compensating measures.

### **State-aid regulations need to adapt to place-based business structure and broadband roll-out**

Given that, we are quite satisfied with the current state-aid regulations, including possible support for transport and airports, being the life nerve for small and scattered societies and the businesses in our vast northernmost areas. We support also increased interlinking of the state-aid and the regional development fund regulations and actions, to build the common ground for relevant interventions.

However, we do see a need to even more be able to address the specific business structure of the very many small micro-companies in our areas, that is not even to be considered SME's, and their interconnection to one or few larger companies in the local industrial eco-system. A small and micro company do not have the resources, even with external money that is overall difficult to get as financiers in general look to the larger markets, to make a technical shift or innovation lap.

Therefore, we would in this way want to put forward;

- Support schemes and state-aid regulation need to, with a place-based approach, more look to the aim of supporting the establishment and growth of small companies, not the type of company or owner-structure.
- Support and state-aid should, furthermore, be possible via other collaboration structures aiming to support business establishment and growth, including also via larger companies and globally owned local facilities, as catalysts for SME establishments and growth.
- Having a vast geography, but a small home market, constitutes extra costs to deliver services in the local economy, however, it also implies the need of reaching the international and global markets in earlier growth stages compared to companies on larger markets, and therefore the state-aid regulations should deliver more flexibility to put in direct export support actions for small businesses in remote sparsely populated Areas.
- Not least, as a tool for digitalization for also small companies and to connect individual tourism actors and like in the most remote areas, the roll-out of high-speed broadband do need enforced exceptions from state-aid regulations, as this is not commercially viable investments before the cables are in place, and with 5G it will be needed even more such investments in remote and less densely populated areas to connect the masts.

**/On behalf of the NSPA network**

Letter on EU State-Aid / 03-03-2021

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*The NSPA Steering Committee;*

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