



## State aid

### What is it about?

Companies that receive state aid benefit from targeted economic advantages, which can therefore distort competition. This includes subsidies for certain businesses or other financial benefits such as subsidised loans, government guarantees or tax concessions.

State aid may however be desirable if it is in the public interest, for example to bolster a region that is structurally weak as a business location or to promote green technologies.

At its core, state aid law is aimed at preventing undesirable distortions of competition and ensuring that all participants in the EU's single market have a level playing field. That is why the EU monitors state aid processes in its member states.

Despite a general prohibition on state aid in the EU, there are numerous exceptions. Furthermore, countries that do provide state aid only require approval from the European Commission if the amount is above a certain threshold. Because of the generous exemption provisions, over 80% of state aid in the EU is automatically authorised without individual assessment; in turn, the state aid that must be reported to the European Commission is mostly authorised.

The only monitoring function recognised by Switzerland to date is in the air transport sector, and is carried out by the Swiss Competition Commission (COMCO). Authorities granting subsidies in this sector are required to obtain an opinion from COMCO.

### Outcome of exploratory talks and outlook for negotiations

The upcoming negotiations will address the issue of state aid in relation to three single market agreements only: electricity, air and overland transport. The scope of application of the regulations will need to be defined in more detail, particularly with regard to exemptions and transitional rules for existing subsidies. This will also apply to all future single market agreements.

In terms of the electricity, air and overland transport sectors, Switzerland will be expected to monitor its state aid. The federal government, cantons and communes will also be required to report new state subsidies to a Swiss supervisory authority if the subsidy exceeds a certain threshold or is not covered by the exemption provisions of state aid control. This supervisory authority will be responsible for issuing an opinion on the proposed subsidies. Failure to observe an opinion may result in the authority bringing a case before the Swiss courts.

Making the required adjustments to the existing state subsidies for air transport is expected to be straightforward: the sector is already monitored by COMCO in terms of compatibility with EU law and should not, therefore, entail any tangible impact. Although most of the existing subsidies for electricity and overland transport in Switzerland are expected to be in line with the EU's state aid regulations, it is possible that certain adjustments may be necessary.

Public service provision, which is generally permitted in the EU, can remain unchanged in Switzerland. Individual assessments are often not required owing to the large number of exemptions and thresholds in place. Neither do the state aid regulations apply if the public service

is not covered by one of the three agreements concerned. Public transport within Switzerland, for example, which is not nor will be covered by the Overland Transport Agreement, is therefore not subject to the regulations.