



Coronavirus: Commission Statement on consulting Member States on proposal to further expand State aid Temporary Framework to recapitalisation measures

Brussels, 9 April 2020

Today, the European Commission has sent to Member States for consultation a draft proposal to further extend the scope of the [State aid Temporary Framework](#) adopted on 19 March 2020 to support the economy in the context of the coronavirus outbreak. The Temporary Framework was first [amended on 3 April 2020](#), which increased possibilities for public support to research, testing and production of products relevant to fight the coronavirus outbreak, to protect jobs and to further support the economy.

In total, the Commission has adopted 43 decisions approving 53 national measures in relation to the coronavirus outbreak. Since its adoption on 19 March 2020, the Commission has taken 39 State aid decisions based on the Temporary Framework to approve 49 national measures that provide much needed liquidity to European businesses in these difficult times. The Commission has also adopted 4 decisions on 4 national measures under article 107.2(b) of the Treaty on the Functioning of the European Union on aid to compensate for exceptional circumstances, such as the coronavirus outbreak.

The Commission is now proposing to extend further the scope of the Temporary Framework by enabling Member States to provide recapitalisations to companies in need. Since such public interventions may have a significant impact on competition in the Single Market, they should remain measures of last-resort. They will also be subject to clear conditions as regards the State's entry, remuneration and exit from the companies concerned, strict governance provisions and appropriate measures to limit potential distortions of competition.

Member States now have the possibility to comment on the Commission's draft proposal. The Commission aims to have the amended Temporary Framework in place by next week.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"Our shared priority faced with the coronavirus crisis is protecting the health of all European citizens. At the same time, the emergency measures are putting a strain on many companies that face a reduction in equity, with negative consequences on their ability to finance their activities. Following the amendment of last week, we will further extend the State aid Temporary Framework to enable Member States to recapitalise companies when necessary and appropriate. We will make sure that taxpayers are sufficiently remunerated for their investment, and companies that receive capital support are subject to controls and governance provisions that limit possible distortions to competition in the Single Market. We continue working with Member States to make sure that the European economy can weather this storm, and bounce back even stronger."*

For many European companies the emergency measures, which Member States have had to take to manage the coronavirus outbreak, affect their ability to produce goods or supply services, and have led to a significant decrease in demand. The resulting losses can trigger a decrease of the companies' equity and negatively impact their ability to borrow on the markets. Against this background, well-targeted public interventions providing recapitalisations to companies in need could reduce the risk to the EU economy as a whole.

The Commission is therefore consulting Member States on the possibility of providing public support in the form of equity or hybrid capital instruments to these severely affected companies, provided that it is the most appropriate means of support and subject to clear conditions.

Since national public support for the recapitalisation of some companies can be highly distortive for competition in the EU Single Market, the Commission is proposing a number of safeguards on the conditions for granting State aid as well as for the behaviour of the companies benefitting from it, both on the market and in terms of their governance. Furthermore, the draft proposal aims to ensure that the State is sufficiently remunerated for the risks it assumes. Finally, it also requires Member States to develop an exit strategy, in particular from large companies that have seen a higher equity participation by the the State, with the goal of making sure that they can return to viability without further need for State support when the economy has stabilised.

Separately, if support were to be granted at European level, taking into account the EU common interest, the risk of distortion to the Single Market would be lower, which would therefore require less stringent conditions to be imposed.

The proposed broadening of the scope of the Temporary Framework to aid in the form of recapitalisations complements the possibility of Member States to purchase existing shares of companies at market price or *pari passu* with private shareholders, which in principle falls outside the scope of EU State aid control. This can in particular be important for interventions by Member States to prevent hostile takeovers of strategic companies by foreign purchasers. It therefore complements the tools available to Member States as set out in the [Commission's guidelines](#) to ensure a strong EU-wide approach to foreign investment screening in a time of public health crisis and related economic vulnerability.

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