

Brussels, 27 February 2009

State aid: Commission authorises the United Kingdom to introduce two temporary measures to grant loan guarantees on one hand, and interest rate subsidies to businesses producing green products on the other hand

The European Commission has authorised under state aid rules based on the EC Treaty, two schemes, first notified to the Commission on 10 February 2009, offering loan guarantees and, specifically for businesses investing in the production of green products, interest rate subsidies. The two aid measures allow for a total combined risk exposure of £8 billion in the amounts guaranteed or loaned. They are part of the measures adopted by the UK to tackle the current economic crisis and should help businesses face financing problems because of the credit squeeze. The loan guarantee measure will allow companies to receive State guarantees, at subsidised rates, to raise investment or working capital. As regards interest rate subsidies for green products, the scheme will make it easier for producers to invest in products with an environmental benefit. The scheme will initially concern the car industry, but will be open to all sectors. Both schemes meet the conditions imposed by the Commission's temporary state aid framework that gives Member States additional possibilities for providing businesses with improved access to financing during the economic and financial crisis (see [IP/08/1993](#)), as amended on 25 February 2009. They are therefore compatible with Article 87(3)(b) of the EC Treaty, which permits aid intended to remedy a serious disturbance in the economy of a Member State.

Competition Commissioner Neelie Kroes said: "These two measures will support businesses in the context of the current credit squeeze, both on the loan guarantee and the interest rate subsidy side. Soft loans for green products will also help companies to shift their business model in accordance with EU environmental objectives. I welcome the good cooperation with the UK authorities, allowing for a speedy assessment of these measures which were notified to the Commission on 10 February 2009".

The joint exposure for both measures will be £8 billion. Preference will be given to the use of loan guarantees rather than interest rate subsidies whenever possible, although the UK authorities cannot specify separate budgets for each scheme at this stage.

As for guarantees, the scheme constitutes a national framework which allows the national regional and local authorities throughout the UK to grant subsidised guarantees on working capital or investment loans. The guarantee may be for a maximum of ten years. The premium is to be calculated on the basis of the safe harbour provisions in the amended temporary framework. In addition during the first two years a subsidy may be granted towards the cost of the premium of up to 25% for SMEs, or 15% for large companies.

As for subsidised loans for green products, the investment must relate to products that will meet or surpass future environmental Community product standards. The UK authorities indicated that this would initially concern standards applicable to the car industry, but that the scheme will not be sector specific, though. Subsidised loans may be granted until 31 December 2010 with a maximum term of two years. The reduction in the interest rate may not exceed 50% for small and medium-sized enterprises (SMEs) and 25% for large businesses, in relation to the reference rate, and must take into account the enterprise's risk profile when the loan is granted. The aid scheme applies only to businesses that were not in difficulty on 1 July 2008 or that were not in difficulty on that date but have since fallen into difficulty because of the economic crisis. Lastly, the monitoring reports to be produced by the UK authorities must include additional information, in particular the sectors of activity covered and the environmental benefits of the measure.

These measures are the second and third authorised under the temporary framework for state aid for the UK, after the scheme for aid of up to €500 000 (N 43/2009, see [IP/09/215](#)).

The decision will be made available under case number N 72/2009 in the [State Aid Register](#) on the [DG Competition website](#) once all the confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).