

New State aid response in the wake of the war in Ukraine

23 March 2022

On 23 March the European Commission has adopted temporarily applicable State aid rules enabling Member States to support businesses particularly hit by the economic repercussions following the Russian military aggression against Ukraine. This includes economic consequences of sanctions imposed on Russia and Russia's countersanctions.

The new framework, which initially applies until 31 December 2022, complements other possibilities for Member States to grant State aid, e.g., to mitigate damages directly suffered due to exceptional circumstances, or to help companies cope with liquidity shortages and needing urgent rescue aid.

Available support measures

The Temporary Crisis Framework provides for three types of aid:

1. Limited amounts of financial aid up to €400,000 per company affected by the crisis; aid granted to companies active in the agriculture, fisheries, and aquaculture sectors may not exceed €35,000. This support can be granted in any form, including direct grants.
2. Liquidity support in form of subsidised interest rates on public and private loans and State guarantees to ensure that banks keep providing loans to all companies affected by the current crisis. For both kinds of support, there are limits regarding the maximum loan amount, which are based on the operating needs of a company, considering its turnover, energy costs or specific liquidity needs. The loans may relate to both investment and working capital needs.
3. Aid to compensate for high energy prices, in particular intensive energy users, for additional costs due to exceptional gas and electricity price increases. This support can be granted in any form, including direct grants. The overall aid per beneficiary cannot exceed 30% of the eligible costs, up to a maximum of €2 million at any given point in time. Where a company is active in specific energy intensive sectors, including the production of aluminium and other metals, glass fibres, pulp, fertiliser or hydrogen and many basic chemicals, and suffers additional losses that may endanger its survival, aid can be increased to up to €25 million or €50 million per company active in particularly affected sectors, for example, the production of fertilisers.

Sanctioned Russian-controlled entities are excluded from the scope of these measures.

Safeguards

The Temporary Crisis Framework includes a number of safeguards to preserve the EU level playing field. Member States must, for instance, show that the State aid measures are necessary, appropriate, and proportionate, i.e., that there is a link between the amount of aid granted to businesses and the scale of their economic activity and exposure to the economic effects of the crisis. In addition, Member States are encouraged to impose conditions related to environmental protection or security of supply when granting aid to cover additional costs resulting from exceptionally high gas and electricity prices. The aid should thus help businesses to tackle the current crisis while at the same time laying the ground for a sustainable recovery.

The EU has so far imposed four rounds of sanctions against Russia (see the latest BLOMSTEIN [briefing](#)). In view of the great uncertainty as to how this war will develop, the Temporary Crisis Framework can be expected to be amended over time.

The new rules resemble the State Aid Temporary Framework adopted to address the distortion in the context of the coronavirus outbreak. BLOMSTEIN has significant experience in applying the Temporary Framework which has paved the way for the European Commission's quick response to the challenges for EU companies in the wake of the war in Ukraine. We are at your disposal at any time to answer questions on the scope of application of this new framework as well as on its practical implementation. Please do not hesitate to contact Max Klasse or Pia Hesse for further insights.