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Proposed opinion on the European Commission's proposal to amend the Guidelines on regional State aid for the period 2028–2034

Region Jämtland Härjedalen welcomes the opportunity to provide comments on the European Commission's proposal to amend the Guidelines on regional State aid, the *Regional Aid Guidelines* (RAG), for the period 2028–2034.

Region Jämtland Härjedalen is responsible for regional development in Jämtland County. The county is characterised by very low population density, long distances, small and geographically dispersed markets, as well as significant demographic and skills-related challenges. Regional State aid is therefore an important instrument for enabling investment, strengthening the competitiveness of businesses and contributing to sustainable regional development in the long term.

Overall, the Region takes a positive view of the Commission's proposal and would particularly like to make the following comments.

Summary of comments

Region Jämtland Härjedalen takes an overall positive view of the Commission's proposal and particularly welcomes the proposal that Jämtland County should continue to be covered as a predefined c-area and that the higher maximum aid intensities for sparsely populated areas should be maintained.

Region Jämtland Härjedalen considers in particular that:

- very low population density should, in line with its long-standing recognition in EU territorial policy and Article 174 of the Treaty on the Functioning of the European Union (TFEU), continue to be recognised as a permanent territorial disadvantage and be clearly reflected in the regional aid framework,
- in the final design of the RAG, the Commission should ensure that the removal of the category "*very sparsely populated areas*" does not result in any deterioration in the legal possibilities, aid intensities or possibilities for investment and operating aid available to areas with very low population density,
- demographic vulnerability should be understood more broadly than solely in terms of total population decline, and broader demographic and territorial conditions should also be taken into account when applying the criteria for regional aid.

For Region Jämtland Härjedalen, it is essential that the regional aid framework also provides long-term and predictable conditions for investment and business development in Europe's northern and very sparsely populated regions during the period 2028–2034.

Continued status as a predefined c-area

Region Jämtland Härjedalen welcomes the retention of the basic criteria for sparsely populated areas and the proposal that Jämtland County should continue to be covered as a predefined c-area due to its low population density.

Very low population density is a permanent structural condition that affects businesses' ability to invest and develop. Long distances to markets and services, limited local markets, and challenges in accessing labour and skills create cost disadvantages that are neither temporary nor cyclical.

The Region therefore also welcomes the fact that the higher maximum aid intensities for sparsely populated c-areas are largely maintained.

Low population density continues to be reflected in the framework

Region Jämtland Härjedalen notes that the Commission proposes removing the specific category "*very sparsely populated areas*" from the Guidelines. Under the current Guidelines, very sparsely populated areas constitute a separately defined category, which appears, inter alia, in the provisions on operating aid to prevent or reduce depopulation and on the design of regional aid maps.

The proposal means that the definition of, and references to, this category will be removed and that there will no longer be a separate category for very sparsely populated areas. These areas will instead be addressed within the rules applicable to "*sparsely populated areas*". The basic criteria for sparsely populated areas remain unchanged: fewer than 8 inhabitants per km² at NUTS 2 level or fewer than 12.5 inhabitants per km² at NUTS 3 level. The Commission explains that the compatibility conditions for the two categories do not differ and that very sparsely populated areas are, in principle, already included within the category of sparsely populated areas.

The Region understands the ambition to simplify the framework. At the same time, Region Jämtland Härjedalen considers that, in the final design of the RAG, the Commission should ensure that this change does not result in any deterioration in the legal possibilities, aid intensities or possibilities for investment and operating aid available to areas with very low population density. The practical and legal implications of the change should also be clarified.

This is particularly important in light of the fact that very low population density has held a particular place in EU:s territorial policy since Sweden and Finland joined the European Union. Protocol No 6 to the 1994 Act of Accession contained specific provisions on support for the most sparsely populated regions in Finland and Sweden. This territorial perspective is also reflected in Article 174 TFEU, which specifically identifies the northernmost regions with very low population density among the regions suffering from severe and permanent natural or demographic handicaps and to which particular attention is to be paid.

Against this background, Region Jämtland Härjedalen considers that the removal of the specific category "*very sparsely populated areas*" should not result in the significance of very low population density being weakened within the regional aid framework. Very low population density should continue to be recognised as a permanent territorial disadvantage and be clearly reflected in the framework, irrespective of the terminology used.

Demographic vulnerability

Region Jämtland Härjedalen welcomes the fact that the Guidelines will continue to take account of regions experiencing significant population decline and that the statistical reference period is being updated.

At the same time, the Region would emphasise that the proposed criterion, which is based on a population decline of more than 10%, captures only part of the demographic challenges that may result in long-term structural disadvantages for a region.

In very sparsely populated regions, an ageing population, a declining working-age population, challenges related to skills supply and significant intra-regional disparities may constitute substantial and long-term structural disadvantages even where overall population development is relatively stable.

The Region therefore considers that demographic vulnerability should be understood more broadly within the regional aid framework and that such demographic and territorial conditions should also be taken into account when applying the criteria for regional aid.