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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 the regional authority 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 business competitiveness 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 designated 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;
- the availability of regional operating aid should be safeguarded for areas facing permanent structural and territorial disadvantages, and the framework should be designed so that such compensation does not automatically cease when an undertaking is in difficulty;

- 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 designated 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, small and geographically fragmented markets, small and isolated labour markets, and persistent difficulties in attracting and retaining skills create structural cost disadvantages that affect businesses' ability to invest, grow and compete. These disadvantages 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 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. Region Jämtland Härjedalen wishes to underline the importance of ensuring that this territorial recognition is also clearly reflected in the EU's concrete regulatory frameworks. The northernmost regions with very low population density are also explicitly highlighted in the Commission's proposal for the cohesion policy framework after 2027. This demonstrates

the need for the same territorial perspective to continue to be clearly reflected in the regional aid framework.

Eurostat's territorial typologies provide a common basis for geographical classification, statistics and analysis. These include specific typologies for mountain regions and border regions. Region Jämtland Härjedalen considers that the northern sparsely populated regions (NSPA), which already have a particular status within the EU regulatory framework, should also be defined within these typologies. This would provide a stronger basis for ensuring that the regions' permanent structural disadvantages are consistently taken into account across different EU policy areas and State aid frameworks.

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.

A strong basis for regional operating aid

Region Jämtland Härjedalen considers that there should continue to be a strong basis for regional operating aid in areas facing permanent structural disadvantages. For Jämtland Härjedalen and the northernmost and most sparsely populated regions, such aid is particularly important because many geographical and demographic disadvantages are permanent rather than temporary. The regional aid framework should therefore not only create conditions for new investment, but should also be able to contribute to employment, functioning labour markets and sustainable economic activity in the long term.

The Region also considers that the rules on undertakings in difficulty should be designed so that such undertakings are not automatically excluded from permanent regional operating aid schemes specifically intended to compensate for permanent structural and territorial disadvantages. The territorial additional cost that the aid is intended to compensate for remains even when an undertaking is classified as an undertaking in difficulty. The loss of such aid in that situation risks further weakening the undertaking's position and may have particularly significant consequences in small and vulnerable local labour markets.

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 periods are being updated.

At the same time, the Region would emphasise that demographic vulnerability cannot be assessed solely on the basis of changes in total population.

In very sparsely populated regions, an ageing population, a declining working-age population, skills supply challenges and significant intra-regional disparities may constitute substantial and long-term structural disadvantages even where overall population development is relatively stable. These factors are closely linked to very low population density and reinforce the structural disadvantages faced by both businesses and communities.

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.

Eastern border regions and the broader northern perspective

Region Jämtland Härjedalen understands the Commission's proposal to introduce eastern border regions as a new category in light of the changed security situation. At the same time, northern Sweden, northern Finland and northern Norway are closely interconnected through transport links, labour markets and economic ties. The design of the new possibilities for regional aid should therefore take account of the broader northern and Arctic context and avoid unintended distortions of competition between closely integrated cross-border regions.

Consistency between the RAG and the GBER

Region Jämtland Härjedalen considers that the RAG and the General Block Exemption Regulation (GBER) should be designed as a coherent and predictable framework for regional State aid. Definitions, eligibility conditions and rules on regional operating aid should be aligned as far as possible. The framework should facilitate the practical use of regional aid and avoid unjustified differences in conditions depending on whether aid is granted under the GBER or following notification to the Commission.