

List of existing aid schemes regarding public service compensation which have to be brought in line with the EFTA Surveillance Authority's *Framework for state aid in the form of public service compensation*.

Pursuant to its Decision No. 12/12/COL of 25 January 2012, the EFTA Surveillance Authority amended its State Aid Guidelines by introducing in particular a new *Framework for state aid in the form of public service compensation* (the Framework), cf. Article 59(2) of the Agreement on the European Economic Area (the EEA Agreement) on undertakings entrusted with the operation of services of general economic interest (SGEI). The Framework states inter alia that EFTA States should show that they have given proper consideration to the public service needs supported by way of a public consultation or other appropriate instruments to take the interests of users and providers into account.

Paragraph 70 of the Framework contains a proposal for appropriate measures for the purposes of Article 1(1) of Part I of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (the Surveillance and Court Agreement) that EFTA States publish a list of existing aid schemes regarding public service compensation which have to be brought in line with the Framework.

The Ministry of Finance and Economic Affairs and the Ministry of Welfare determined that the operation of the Icelandic Housing Financing Fund (the HFF) should be placed on the list of existing aid schemes which would have to be brought in line with the Framework. The HFF provides services of general economic interest, cf. Article 59(2) of the EEA Agreement and the Framework, by providing long-term mortgage loans to individuals on manageable terms. The EFTA Surveillance Authority has concluded that state aid is granted to the HFF in the form of an indefinite and unlimited state guarantee, an exemption from income tax, interest support, capital injections and a lack of adequate rate of return and dividend payments.

In the past few years various amendments have been made to the Housing Act, No. 44/1998, and other legislation which applies to the Fund, to bring the operations of the Fund into line with the state aid rules of the EEA Agreement. Since the abovementioned conclusion of the ministries, the EFTA Surveillance Authority has closed its investigation concerning the HFF, cf. Decision No. 298/14/COL of 16 July 2014.¹ Therefore, further measures are not needed to bring the operation of the HFF into line with the Framework.

¹ A press release is available in English and Icelandic on the Authority's website: <http://www.eftasurv.int/press-publications/press-releases/state-aid/nr/2305>.

No other existing aid schemes, which need to be brought in line with the Framework, are present in Iceland.

The Framework is published in Icelandic in the EEA Supplement to the Official Journal of the European Union No. 34 of 13.06.2013, p. 17. It corresponds to *the European Union framework for State aid in the form of public service compensation* (2011).

The Framework is a part of a revised *state aid package for services of general economic interest*. Services of general economic interest are economic activities that public authorities identify as being of particular importance to citizens and that would not be supplied (or would be supplied under different conditions) if there were no public intervention. Examples are transport networks, postal services and social services.

In addition to the Framework, the state aid package includes:

- a Chapter in the State Aid Guidelines on the application of the state aid rules to compensation granted for the provision of services of general economic interest (which corresponds to the *Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest*, OJ C 8 of 11.1.2012, p. 4).
- *Commission Regulation on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest*, OJ L 114 of 26.04.2012, p. 8.
- *Commission Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest* (Decision 2012/21/EU) (OJ L 7 of 11.01.2012, p. 3). :

Further information on the scope of application of the state aid package may be found on the websites of the European Commission and the EFTA Surveillance Authority.