



State aid: Commission approves €62 million Romanian loan guarantee to compensate Blue Air for damage suffered due to coronavirus outbreak and provide the airline with urgent liquidity support

Brussels, 20 August 2020

The European Commission has approved, under EU State aid rules, a Romanian loan guarantee of up to around €62 million (approximately RON 301 million) in favour of Romanian airline Blue Air. The measure aims at compensating the airline for the damages suffered due to the coronavirus outbreak, as well as providing it with urgent liquidity support. The measure was approved partly based on [Article 107\(2\)\(b\)](#) of the Treaty on the Functioning of the European Union (TFEU) and partly under the Commission's [2014 Guidelines on State aid for rescue and restructuring](#).

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"The aviation sector has been severely hit by the coronavirus outbreak. This €62 million Romanian loan guarantee will in part enable Romania to compensate Blue Air for the damage suffered as a result of the coronavirus outbreak. At the same time, it will provide the airline with the necessary resources to address part of its urgent and immediate liquidity needs. This will avoid disruptions for passengers and ensure regional connectivity in particular for the significant number of Romanian citizens working abroad and for many small local businesses that depend on affordable tickets offered by Blue Air on a network of routes aimed at addressing their specific needs. We continue working with Member States to discuss possibilities and find workable solutions to preserve this important part of the economy in line with EU rules."*

Blue Air is a private Romanian airline with bases in Romania, Italy and Cyprus. With a fleet of 18 planes, Blue Air has been serving 92 routes and 15 countries, carrying over 4 million passengers in 2019.

Blue Air qualified as a company in difficulty before the coronavirus outbreak, i.e. on 31 December 2019. More specifically, the company was loss making due to the extensive investments it undertook since 2016 to improve its network of routes. The airline had returned to profitability in 2019 and early 2020, but, as other companies active in the aviation sector, it suffered significant losses due to the coronavirus outbreak and the travel restrictions that Romania and other governments had to impose to limit the spread of the virus. The company is currently facing urgent liquidity needs.

The Romanian support measure

Romania notified to the Commission, under Article 107(2)(b) TFEU and the [2014 Guidelines on State aid for rescue and restructuring](#) a €62 million aid measure to support Blue Air, with the aim of compensating the airline for the losses directly caused by the coronavirus outbreak and of providing the company with resources to address its urgent and immediate liquidity needs until January 2021.

The measure consists of a public guarantee of up to around €62 million (approximately RON 301 million) on a loan to the airline which will be allocated as follows:

- Around **€28 million** (approximately RON 137 million) public guarantee to compensate Blue Air for the damage directly caused by the coronavirus outbreak and the travel restrictions introduced by Romania and other destination countries to limit the spread of the coronavirus in the period between 16 March 2020 and 30 June 2020; and
- Around **€34 million** (approximately RON 164 million) rescue aid in the form of a public guarantee on a loan intended to partly cover Blue Air's acute liquidity needs as a result of the high operating losses it has been experiencing following the coronavirus outbreak.

Blue Air is not eligible to receive support under the Commission's State aid Temporary Framework, aimed at companies that were not already in difficulty on 31 December 2019. The Commission therefore has assessed the measure under other State aid rules, in line with the notification by Romania.

With respect to the **damage compensation**, the Commission assessed the measure under Article [107\(2\)\(b\)](#) TFEU, which enables the Commission to approve State aid measures granted by Member

States to compensate specific companies or specific sectors (in the form of schemes) for the damages directly caused by exceptional occurrences. The Commission considers that the coronavirus outbreak qualifies as an exceptional occurrence, as it is an extraordinary, unforeseeable event having a significant economic impact. As a result, exceptional interventions by the Member States to compensate for the damages directly linked to the outbreak are justified.

The Commission found in particular that the Romanian aid will compensate damage that is directly linked to the coronavirus outbreak. An independent external audit firm will verify that the aid does not exceed the amount of damage suffered during the period between 16 March and 30 June 2020. Following the audit, any public support received by Blue Air in excess of the actual damage suffered will have to be returned to Romania. The risk of overcompensation is therefore excluded. The Commission also found that the measure is proportionate as the compensation does not exceed what is necessary to make good the damage.

As regards the **rescue aid**, the Commission assessed it under the Commission's [2014 Guidelines on State aid for rescue and restructuring](#), which enable Member States to support companies in difficulty, provided, in particular, that the public support measures are limited in time and scope and contribute to an objective of common interest. Rescue aid can be granted for maximum six months to give a company time to work out solutions in an emergency situation.

Romania committed to ensure that, after six months, the public guarantee will be terminated, or Blue Air will either submit a liquidation plan or carry out a comprehensive restructuring in order to become viable in the long-term. Such possible restructuring would be subject to the Commission's assessment and approval.

The Commission found that the measure will help ensure the orderly continuation of flight services for around 400,000 passengers that have either booked a flight with Blue Air in the coming months or are expecting a refund of their cancelled ticket. Moreover, the measure will contribute to maintaining regional connectivity for the significant number of Romanian citizens working abroad as well as for small local businesses that depend on affordable tickets offered by Blue Air on a network of routes developed by the company to address their travel needs. At the same time, the strict conditions attached to the loan in terms of remuneration and use of the funds and the limited duration of the aid will reduce the distortion of competition potentially triggered by the State support to a minimum.

On this basis, the Commission therefore concluded that the Romanian measure is in line with EU State aid rules.

Background

Financial support from EU or national funds granted to health services or other public services to tackle the coronavirus situation falls outside the scope of State aid control. The same applies to any public financial support given directly to citizens. Similarly, public support measures that are available to all companies such as for example wage subsidies and suspension of payments of corporate and value added taxes or social contributions do not fall under State aid control and do not require the Commission's approval under EU State aid rules. In all these cases, Member States can act immediately.

When State aid rules are applicable, Member States can design ample aid measures to support specific companies or sectors suffering from the consequences of the coronavirus outbreak in line with the existing EU State aid framework. On 13 March 2020, the Commission adopted a Communication on a [Coordinated economic response to the coronavirus outbreak](#) setting out these possibilities. In this respect, for example:

- Member States can compensate specific companies or specific sectors (in the form of schemes) for the damage suffered due and directly caused by exceptional occurrences, such as those caused by the coronavirus outbreak. This is foreseen by Article 107(2)(b) TFEU.
- State aid rules based on Article 107(3)(c) TFEU, such as the Commission's Guidelines on rescue and restructuring aid, enable Member States to support companies (including those in difficulty before 31 December 2019) facing acute liquidity shortages and financial difficulties linked to or aggravated by the coronavirus outbreak and needing urgent rescue aid.
- This can be complemented by a variety of additional measures, such as under the de minimis Regulation and the General Block Exemption Regulation, which can also be put in place by Member States immediately, without involvement of the Commission.

The non-confidential version of the decision will be made available under the case number SA.57026 in the [State aid case register](#) on the Commission's [competition](#) website once any 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](#).

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