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**Subject: State Aid SA.108604 (2023/N) – Slovenia**  
**TCTF: Aid to the livestock sector**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 13 July 2023, Slovenia notified aid in the form of limited amounts of aid (TCTF: “*Pomoč sektorju živinoreje*”, “the measure”) under the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the “Temporary Crisis and Transition Framework”) <sup>(1)</sup>. On 27 July 2023, Slovenia submitted complementary information.
- (2) Slovenia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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<sup>(1)</sup> Communication from the Commission on the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (OJ C 101, 17.3.2023, p. 3). This Temporary Crisis and Transition Framework replaces the Temporary Crisis Framework adopted on 28 October 2022 (OJ C 426, 9.11.2022, p. 1) (‘Temporary Crisis Framework’), which had already replaced the previous Temporary Crisis Framework adopted on 23 March 2022 (OJ C 131I, 24.3.2022, p. 1), as amended on 20 July 2022 (OJ C 280, 21.7.2022, p. 1). The Temporary Crisis Framework was withdrawn with effect from 9 March 2023.

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Article 3 of Regulation 1/1958 <sup>(2)</sup> and to have this Decision adopted and notified in English.

## **2. DESCRIPTION OF THE MEASURE**

- (3) Slovenia considers that the Russian aggression against Ukraine and its direct and indirect effects, including the sanctions imposed and the counter-measures taken for example by Russia, have economic repercussions on the entire internal market (“the current crisis”). According to the Slovenian authorities, the current crisis has created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including fertilisers, highly relevant for the agricultural sector. Those effects taken together have caused a serious disturbance of the economy in all Member States. In particular, in the case of farming of dairy cows in Slovenia, the loss due to the increased energy, feed and other input costs is estimated at EUR 866.44 per cow from April 2022 to April 2023. In the case of farming of dairy goats and sheep, the estimated loss is EUR 63.89 per animal over the same period. For animals for meat production (little bulls, bulls, heifers, pigs and equids) the estimated loss is EUR 580.91 per animal and in the case of small cattle (lambs and goats up to one year old), the calculation loss is EUR 41.64 per animal between April 2022 and April 2023 <sup>(3)</sup>. Thus, the measure aims at addressing the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy.
- (4) Slovenia confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the European Economic Area (“EEA”) to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (5) The compatibility assessment of the measure is based on Article 107(3), point (b), TFEU, in light of Sections 1 and 2.1 of the Temporary Crisis and Transition Framework.

### **2.1. The nature and form of aid**

- (6) The measure provides aid on the basis of a scheme in the form of direct grants.

### **2.2. Legal basis**

- (7) The legal bases for the measure are the amendment of the Rulebook of changes and amendments to the Rulebook of maintaining and promoting the development of agriculture and rural areas in the Municipality of Kobarid (Uradni list RS, št.

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<sup>(2)</sup> Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

<sup>(3)</sup> Source of data: Agricultural Institute of Slovenia and Statistical Office of the Republic of Slovenia.

86/21 in 56/22)<sup>(4)</sup> adopted on 6 July 2023 and the proposal of the Decision on flat-rate aid funds signed on 23 May 2023.

### **2.3. Administration of the measure**

- (8) The municipality of Kobarid<sup>(5)</sup> is responsible for administering the measure.

### **2.4. Budget and duration of the measure**

- (9) The estimated budget is EUR 160 000, financed from the budget of the municipality of Kobarid.
- (10) Aid may be granted under the measure as from the notification of the Commission's decision approving the measure<sup>(6)</sup> until no later than 31 December 2023.

### **2.5. Beneficiaries**

- (11) The beneficiaries of the measure are undertakings<sup>(7)</sup> active as primary agricultural producers in the livestock sector that are affected by the current crisis ("the beneficiaries"). The estimated number of beneficiaries is between 11 and 50.
- (12) Slovenia confirms that the aid under the measure is not granted to undertakings under sanctions adopted by the Union, including but not limited to: (i) persons, entities or bodies specifically named in the legal acts imposing those sanctions; (ii) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the Union; or (iii) undertakings active in industries targeted by sanctions adopted by the Union, insofar as the aid would undermine the objectives of the relevant sanctions.
- (13) Slovenia confirms that the measure may not in any way be used to undermine the intended effects of sanctions imposed by the Union or its international partners and will be in full compliance with the anti-circumvention rules of the applicable regulations<sup>(8)</sup>. In particular, natural persons or entities subject to the sanctions will not benefit directly or indirectly from the measure.

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<sup>(4)</sup> *Pravilnik o ohranjanju in spodbujanju razvoja kmetijstva in podeželja v občini Kobarid (Uradni list RS, št. 86/21 in 56/22); Pravilnik o spremembah in dopolnitvah Pravilnika o ohranjanju in spodbujanju razvoja kmetijstva in podeželja v občini Kobarid.*

<sup>(5)</sup> *Občina Kobarid.*

<sup>(6)</sup> According to Article 11 (1) of the amendment of the legal basis of the measure, "*The provisions relating to the measure in accordance with the Temporary Framework shall come into force on the day following the receipt of the decision of the European Commission on the compatibility of measure 6 from this rulebook with the internal market*".

<sup>(7)</sup> As defined in Annex I to the Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 327, 21.12.2022, p. 1).

<sup>(8)</sup> For example, Article 12 of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

## **2.6. Sectoral and regional scope of the measure**

- (14) The measure is open to undertakings active in the primary agricultural sector, specifically in the sector mentioned in recital (11). It applies to the territory of the municipality of Kobarid. Slovenia confirms that credit institutions or other financial institutions are excluded from being beneficiaries of the aid.

## **2.7. Basic elements of the measure**

- (15) The aid aims to remedy the serious disruption of the economy provoked by the current crisis due to the increase in the price of electricity, animal feed and fuel, with a strong impact on the livestock sector, with large losses of income and putting their economic viability at serious risk. The aid will help maintain the continuity of the economic activity of the beneficiaries and will ensure that sufficient liquidity remains available on the market.
- (16) The aid will be equal to <sup>(9)</sup>:
- (a) EUR 600 per livestock unit <sup>(10)</sup> of dairy cows;
  - (b) EUR 300 per livestock unit of dairy sheep and goats;
  - (c) EUR 400 per livestock unit of beef cattle, pigs, rabbits and equids production;
  - (d) EUR 15 per animal of lambs and goatish for meat (up to one year old).
- (17) The overall nominal value of the direct grants under the measure will not exceed EUR 250 000 per undertaking per Member State, at any given point in time; all figures are gross, that is, before any deduction of tax or other charges.
- (18) The Slovenian authorities confirm that the aid is not fixed on the basis of the price or quantity of products put on the market.

## **2.8. Compliance with relevant provisions of Union law**

- (19) The Slovenian authorities confirm that the proposed measures do not by themselves, or by the conditions attached to them or by their financing method constitute a non-severable violation of Union law.

## **2.9. Cumulation**

- (20) The Slovenian authorities confirm that aid granted under the measure may be cumulated with support under *de minimis* Regulations <sup>(11)</sup> or aid under the Block

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<sup>(9)</sup> Based on the number of livestock units and animals declared on 1<sup>st</sup> February 2023, except for pigs that the date will be 15 November 2022.

<sup>(10)</sup> The table with the conversion factors for the different breeding animals determining the Livestock Unit is in Annex 1 of the national Rules on the register of livestock keepers and the livestock register (*Pravilnik o Evidenci imetnikov rejnih živali in Evidenci rejnih živali*).

<sup>(11)</sup> Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013, p. 1), Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the

Exemption Regulations <sup>(12)</sup> provided the provisions and cumulation rules of those Regulations are respected.

- (21) The Slovenian authorities confirm that aid under the measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (22) The Slovenian authorities confirm that aid under the measure may be cumulated with aid under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak <sup>(13)</sup> (“COVID-19 Temporary Framework”) provided the respective cumulation rules are respected.
- (23) The Slovenian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Crisis and Transition Framework provided the provisions in those specific sections are respected.
- (24) Slovenia confirms that for aid granted under Section 2.1 of the Temporary Crisis and Transition Framework and the previous Temporary Crisis Framework, the aid ceilings provided in the respective sections of the Temporary Crisis and Transition Framework are respected at any point in time.
- (25) The Slovenian authorities confirm that if a beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under Section 2.1 of the Temporary Crisis and Transition Framework, the overall maximum cap per undertaking per Member State, as set out in points 61(a) and in 62(a) of that framework, will be respected. Aid granted under the measure and other measures approved by the Commission under Section 2.1 of the previous Temporary Crisis Framework or under the Temporary Crisis and Transition Framework which has been reimbursed before granting of new aid under that section will not be taken into account in determining whether the relevant ceiling is exceeded.

## **2.10. Monitoring and reporting**

- (26) The Slovenian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 3 of the Temporary Crisis and Transition Framework (including the obligation to publish relevant information

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application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9) and Commission Regulation (EU) No 360/2012 of 25 April 2012 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, 26.4.2012, p. 8).

- <sup>(12)</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1) and Commission Regulation (EU) 2022/2472.
- <sup>(13)</sup> Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), C(2021) 8442 (OJ C 473, 24.11.2021, p. 1) and C(2022) 7902 (OJ C 423, 7.11.2022, p. 9).

on each individual aid above EUR 10 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within twelve months from the moment of granting <sup>(14)</sup>).

### **3. ASSESSMENT**

#### **3.1. Lawfulness of the measure**

- (27) By notifying the measure before putting it into effect, the Slovenian authorities have respected their obligations under Article 108(3) TFEU (recitals (7) and (10)).

#### **3.2. Existence of State aid**

- (28) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.
- (29) The measure is imputable to the State, since it is administered by the municipality of Kobarid (recital (8)) and it is based on the legal acts mentioned in recital (7). It is financed through State resources since it is financed by public funds (recital (9)).
- (30) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (6)). The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.
- (31) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. undertakings active in the livestock sector, excluding among others the financial sector (recital (14)).
- (32) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in a sector in which intra-Union trade exists.
- (33) Therefore, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Slovenian authorities do not contest that conclusion.

#### **3.3. Compatibility**

- (34) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

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<sup>(14)</sup> Referring to information required in Annex III to Commission Regulation (EU) 2022/2472.

- (35) Pursuant to Article 107(3), point (b), TFEU the Commission may declare compatible with the internal market aid “*to remedy a serious disturbance in the economy of a Member State*”.
- (36) By adopting the Temporary Crisis and Transition Framework, the Commission acknowledged (in Section 1) that the current crisis has created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including in the agricultural sector.
- (37) Those effects taken together have caused a serious disturbance of the economy in all Member States, including in the economy of Slovenia. The Commission concluded that State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3), point (b), TFEU for a limited period if it serves to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy.
- (38) The measure aims at providing liquidity to certain undertakings active in the primary production of agricultural products at a time when a wide range of economic sectors are affected, the normal functioning of markets is severely disturbed leading to severe disturbances of the real economy of Member States, including in the economy of Slovenia.
- (39) The measure is one of a series of measures conceived by the Slovenian authorities to remedy a serious disturbance in the Slovenian economy and specifically in the economy of the municipality concerned. The importance of the measure to ensure sufficient liquidity of the beneficiaries that face cost increases of fertilisers, energy, and other production inputs is widely accepted by economic commentators and the measure, even if with a local dimension, can be reasonably anticipated to produce effects across the Slovenian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in Section 2.1 of the Temporary Crisis and Transition Framework.
- (40) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the relevant conditions of the Temporary Crisis and Transition Framework. In particular:
- the aid takes the form of direct grants (recital (6));
  - the overall nominal value of the grants does not exceed EUR 250 000 per undertaking active in the primary production of agricultural products per Member State; all figures used are gross, that is before any deduction of tax or other charges (recital (17)). If the beneficiary receives aid on several occasions under the measure or aid under other measures approved by the Commission under Section 2.1 of the Temporary Crisis and Transition Framework, the overall maximum cap per undertaking, per Member State, as set out in points 61(a) or 62(a) of that framework, will be respected (recital (25)). The measure therefore complies with point 62(a) of the Temporary Crisis and Transition Framework;

- aid is granted under the measure on the basis of a scheme (recital (6)) with an estimated budget, as indicated in recital (9). The measure therefore complies with point 61(b) of the Temporary Crisis and Transition Framework;
  - aid will be granted under the measure no later than 31 December 2023, as indicated in recital (10). The measure therefore complies with point 61(c) of the Temporary Crisis and Transition Framework;
  - aid will be granted only to undertakings affected by the current crisis (recitals (3), (11) and (15)). The measure therefore complies with point 61(d) of the Temporary Crisis and Transition Framework;
  - aid granted is not fixed on the basis of the price or quantity of products put on the market (recital (18)). The measure therefore complies with point 62(b) of the Temporary Crisis and Transition Framework.
- (41) State aid measures that entail, by themselves, by the conditions attached to them or by their financing method a non-severable violation of Union law cannot be declared compatible with the internal market <sup>(15)</sup>
- (42) Slovenia confirms that the proposed measures do not by themselves, or by the conditions attached to them or by their financing method constitute a non-severable violation of Union law (see recital (19)). In addition, the Commission has no indications of any possible breach of Union law that would prevent the notified measure from being declared compatible with the internal market.
- (43) Therefore, the Commission considers that the measure does not infringe any relevant provisions of Union law.
- (44) Slovenia confirms that, in accordance with point 95 of the Temporary Crisis and Transition Framework, overall aid granted under Section 2.1 of the previous Temporary Crisis Framework and the Temporary Crisis and Transition Framework will not exceed the aid ceilings provided in the respective section of the Temporary Crisis and Transition Framework at any point in time (see recital (24)).
- (45) The Slovenian authorities confirm that, pursuant to point 51 of the Temporary Crisis and Transition Framework, the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (4)).
- (46) The Slovenian authorities confirm that, pursuant to point 52 of the Temporary Crisis and Transition Framework, the aid under the measure will not be granted to undertakings under sanctions adopted by the Union, including but not limited to: a) persons, entities or bodies specifically named in the legal acts imposing those sanctions; b) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the Union; or c) undertakings active in industries

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<sup>(15)</sup> Judgment of 31 January 2023, *Commission v Braesch and Others*, C-284/21 P, EU:C:2023:58, paragraphs 96 *et seq.*



targeted by sanctions adopted by the Union, insofar as the aid would undermine the objectives of the relevant sanctions (recitals (12) and (13)).

- (47) The Slovenian authorities confirm that the monitoring and reporting rules laid down in Section 3 of the Temporary Crisis and Transition Framework will be respected (recital ((26))). The Slovenian authorities further confirm that the aid under the measure may only be cumulated with other aid if the specific provisions in the relevant sections of the Temporary Crisis and Transition Framework, the previous Temporary Crisis Framework and the COVID-19 Temporary Framework and the cumulation rules in the relevant Regulations are respected (recitals (20) to (23)).
- (48) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3), point (b), TFEU since it meets all the relevant conditions of the Temporary Crisis and Transition Framework.

#### **4. CONCLUSION**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President