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**Subject: State Aid SA.64360 (2021/N) – Czechia
RRF – Amending SA.54137 - Subsidy framework for granting
contributions for the forest management**

Excellency,

The European Commission ("the Commission") wishes to inform Czechia that, having examined the information supplied by your authorities on the State aid measure referred to above, it has decided not to raise objections to the relevant measure as it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union ("TFEU").

The Commission has based its decision on the following considerations:

1. PROCEDURE

- (1) By letter of 2 August 2021, the Czech authorities notified, according to Article 108(3) TFEU, the measure “RRF¹ - Subsidy framework for granting contributions for the forest management” via the web application State Aid Notification Interactive (SANI). With that notification (the “notified amendment”), the authorities of the Czech Republic wish to amend the aid scheme SA.54137 (2019/N) (the ‘existing aid scheme’), approved on 27 November 2019 by Commission decision C(2019) 8643 final (‘initial decision’), in order to support

¹ The Recovery and Resilience Facility. Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.

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sustainable forest management, maintaining all forest function, in particular non-productive, and strengthening forest resilience and their adaptation to climate change, in all forest areas in Czechia, including private and State owned forests.

- (2) The Commission sent requests for additional information to the Czech authorities on 27 September 2021, 14 December 2021 and 10 March 2022, which the Czech authorities answered by letters of 28 October 2021, 11 January 2022 and 25 March 2022, registered by the Commission on the same dates.
- (3) Czechia exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958², and to have this decision adopted and notified in English.

2. DESCRIPTION OF THE NOTIFIED AMENDMENT

2.1. Title

- (4) RRF - Subsidy framework for granting contributions for the forest management.

2.2. Legal basis

- (5) Law No 289/1995 Coll., on forests, as amended [*Zákon č. 289/1995 Sb. o lesích a o změně a doplnění některých zákonů*];
- (6) Law No 129/2000 Coll., on the Regions, as amended [*Zákon č. 129/2000 Sb. o krajích*];
- (7) Law No 218/2000 Coll., on budgetary rules, as amended [*Zákon č. 218/2000 Sb. o rozpočtových pravidlech*];
- (8) Law No 250/2000 Sb., on budgetary rules of the regional budgets, as amended [*Zákon č. 250/2000 Sb. o rozpočtových pravidlech územních rozpočtů*];
- (9) Decree No. 298/2018 Coll., on elaborating regional plans of forest development and on specification of management groups [*Vyhláška č. 298/2018 Sb. o zpracování oblastních plánů rozvoje lesů a o vymezení hospodářských souborů*]
- (10) Draft Subsidy Framework for granting financial aid to forest management³ ("Subsidy Framework") [*Dotační rámec pro poskytování příspěvků na hospodaření v lesích*]

² Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

³ It will be published on the following website after the adoption of the present Commission decision: <http://eagri.cz/public/web/mze/lesy/dotace-v-lesnim-hospodarstvi-a-myslivosti/dotacni-ramec-pro-poskytovani-financnich.html>.

2.3. Duration

- (11) The initial aid scheme due to expire on 31 December 2025, will be prolonged until 31 December 2027. The Czech authorities informed the Commission that the legal basis contains a stand-still clause whereby aid can only be granted after the Commission notifies its decision approving the notified amendment.
- (12) The Czech authorities commit to adapt the aid scheme to bring it in line with the State aid rules applicable after the expiry of the 2014 European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas⁴ ("the Guidelines").

2.4. Budget

- (13) The overall budget of the existing aid scheme is CZK 8.5 billion (approx. EUR 329 million), and is financed from the State budget, as approved under the initial decision⁵. The notified amendment will increase it to 39.2 billion CZK (approx. EUR 1.5 billion) for the period 2021-2027. Out of this new budget, 8.54 billion CZK (approx. EUR 335 million) will be financed from the Recovery and Resilience Facility (RRF).⁶ The budget from RRF covers the period until 2023 as regards granting decisions, while payments can be made until 2026.
- (14) The RRF financing will only apply to the measures being part of the “*Contribution for regeneration, stabilization and tending of forests stands*” of the Subsidy Framework, i.e. the following measures covered by the initial decision:
 - (a) natural regeneration and artificial regeneration by sowing,⁷ including protection against animals (Section 2.8.1. of the Guidelines)⁸;
 - (b) artificial regeneration by planting (initial and repeated) (Section 2.8.1. of the Guidelines);⁹
 - (c) protection of young forest stands until established (protection against weeds, animals, weevils and rodents) (Section 2.1.4. of the Guidelines);¹⁰
 - (d) stabilization of forest stands within the statutory period (Section 2.1.4. of the Guidelines);¹¹

⁴ OJ C 204 of 1.7.2014, p. 1. Amended by the Notices published in OJ C 390, 24.11.2015, p. 4; OJ C 139, 20.4.2018, p. 3, OJ C 403, 9.11.2018, p. 10 and OJ C 424, 8.12.2020, p. 30.

⁵ Recital (11) of the initial decision.

⁶ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.

⁷ Recitals (106) – (112) of the initial decision.

⁸ Recital (52) – (55) of the initial decision.

⁹ Recitals (113) – (119) of the initial decision.

¹⁰ Recitals (31) – (39) of the initial decision.

- (e) establishment of new enclosures in order to secure forest stands or part thereof with a proportion of ameliorative and strengthening forest species (Section 2.1.4. of the Guidelines);¹²
- (f) individual protection of seedlings against animals (Section 2.1.4. of the Guidelines);¹³
- (g) improvement of forest-soil quality – fertiliser to be applied to individual seedlings when they are planted out (Section 2.8.2. of the Guidelines);¹⁴
- (h) conversion of forest stands that have an unsuitable species composition, and reconstruction of forest stands that have suffered other forms of damage (Section 2.8.1. of the Guidelines);¹⁵
- (i) tending of forest stands up to the age of 40 years (clearing and intermediate intentional felling - thinning) (Section 2.8.2. of the Guidelines);¹⁶

as well as the following two new measures (the “new measures”), which the Czech authorities wish to introduce under this modification:

- (j) mechanical soil preparation before forest regeneration (new measure, see recitals (33)(a) below) (Section 2.8.1. of the Guidelines);
- (k) saving logging residues in piles and rows in forest (new measure, see recitals (33)(b) below) (Section 2.1.4. of the Guidelines).

- (15) The Czech authorities explained that these measures are covered by component 2.6 Investment 4 (“*Building forests resilient to climate change*”) set out in the Annex to the Council implementing decision on the approval of the assessment of the recovery and resilience plan for Czechia of 8 September 2021¹⁷. Regarding the scope of the measures financed from the RRF, the Czech authorities confirmed that the scope of the notified measures under the “*Contribution for regeneration, stabilization and tending of forests stands of the Subsidy Framework*” will conform to the Council implementing decision of 8 September 2021, including the conditions set in the description of milestones and targets 139 – 141 of the Czech the recovery and resilience plan (Annex to the Council implementing decision).

¹¹ Recitals (31) – (39) of the initial decision.

¹² Recitals (40) – (43) of the initial decision.

¹³ Recitals (44) – (46) of the initial decision.

¹⁴ Recitals (153) – (156) of the initial decision.

¹⁵ Recitals (120) – (124) of the initial decision.

¹⁶ Recitals (157) – (160) of the initial decision.

¹⁷ not published.

2.5. Aid amounts and aid intensity

- (16) The aid intensity under the existing aid scheme amounts up to 100%, depending on the measure. It remains unchanged. For several measures under the initial decision, fixed rates are set. The Czech authorities inform that those rates should be considered as indicative. The aid will be in any case provided up to the maximum aid intensity/maximum aid amount allowed by the Section of the Guidelines pursuant to which the measure is notified, as approved in the initial and the present decisions. Furthermore, the Czech authorities confirm that whenever the fixed rates will be updated by the Ministry of Agriculture, it will be done according to the principles described in recitals (21) – (24) of the initial decision, and any overcompensation will be avoided. The Czech authorities explained that the fix rates will be calculated for each operation (measure) per technical units (hectare, piece, metre etc.) and the calculation will be based on real costs of each operation. The granting authorities of the framework subsidies will monitor the market prices in order to exclude any overcompensation.
- (17) For the sake of clarity, the table below provides an overview of maximum aid intensities/maximum aid amounts and fixed aid rates applicable under the initial and modified aid scheme:

Measure	Initial aid amount of the initial decision (SA.54137)	New aid amount (SA.64360)	Aid intensity or maximum aid amount (unchanged)
Measures notified under Section 2.1.4 of the Guidelines			
Stabilisation of forest stands within the statutory period (*)	CZK 30 000/ha (for basic forest species); and CZK 50 000/ha (for amelioration and stabilization forest species)	CZK 80 000/hectare (for basic, amelioration and stabilisation forest species)	100%
Establishment of new enclosures in order to secure forest stands or part thereof with a proportion of ameliorative and strengthening forest species (*)	CZK 70 000/km	No change	100%
Individual protection of seedlings against animals (*)	CZK 50/tree	CZK 60/tree	100%
Measures notified under Section 2.3 of the Guidelines			
Use of environmentally friendly technologies:			

Measure	Initial aid amount of the initial decision (SA.54137)	New aid amount (SA.64360)	Aid intensity or maximum aid amount (unchanged)
(a) cable clearing or skidding	CZK 100/m ³	CZK 200/m ³	
(b) horse clearing or skidding	CZK 80/m ³	CZK 120/m ³	
(c) clearing or skidding the wood using an iron horse	CZK 40/m ³	CZK 80/m ³	
(d) skidding by an assortment method at the collection point without hauling wood on the surface with a machine weighing up to 6 tons per axle	CZK 30/m ³	CZK 50/m ³	
Maintaining a higher proportion of amelioration and stabilisation species			
	CZK 1106 – 3538/ha	no change	max. aid amount:
Measures notified under Section 2.8.1 of the Guidelines			
Natural regeneration and artificial regeneration by sowing (*)	CZK 20 000 – CZK 30 000/hectare	CZK 35 000/hectare	100%
Artificial regeneration by planting (initial and repeated) (*)	CZK 12 per seedling/transplant of ameliorative and stabilizing tree species; CZK 30 per half-grown sapling of ameliorative and stabilizing tree species; CZK 40 per sapling of ameliorative and stabilizing tree species	CZK 16 per seedling/transplant of ameliorative and stabilizing tree species; CZK 35 per half-grown sapling of ameliorative and stabilizing tree species; CZK 55 per sapling of ameliorative and stabilizing tree species	100%

Measure	Initial aid amount of the initial decision (SA.54137)	New aid amount (SA.64360)	Aid intensity or maximum aid amount (unchanged)
Conversion of forest stands that have an unsuitable species composition and reconstruction of forest stands that have suffered other forms of damage (*)	CZK 10 000/hectare	CZK 20 000/hectare	100%
Measures notified under Section 2.8.2 of the Guidelines			
Disposal of brushwood by chipping or crushing before the regeneration of forest through dissemination of matter	CZK 18 000/hectare	CZK 25 000/hectare	100%
Tending of forest stands up to the age of 40 years (*)	CZK 6 000/ha	CZK 12 000/ha	100%
Improvement of forest-soil quality – fertiliser to be applied to individual seedlings when they are planted out (*)	CZK 2 000/ha	no change	100%
New measures (Section 2.7.2 of the present decision)			
New measure: Saving logging residues in piles and rows in forests, notified under Section 2.1.4 of the Guidelines (*)	-	CZK 50/m ³	100%
New measure: Mechanical soil preparation before forest regeneration, notified under Section 2.8.1 of the Guidelines (*)	-	CZK 12 000/ha	100%
(*) A measure is part of regeneration, stabilization and tending of forests stands (see recital (15) of the present Decision).			

2.6. Beneficiaries

- (18) Under the existing aid scheme, the beneficiaries are forest owners or tenants, with the exception of the State enterprise “Lesy ČR” (Czech Forests).¹⁸
- (19) With the present modification, the State enterprise Czech Forests will be included in the scope of eligible beneficiaries. The Czech authorities explained that it is of the utmost need to restore the large area of forests damaged by the bark-beetle outbreak and, therefore, the Czech Forests will be eligible only for aid which is directly linked to the forest regeneration, i.e. “*Contribution for regeneration, stabilization and tending of forests stands*” (recital (15) of the present decision), including the new measures (recital (14)(j) and (14)(k) of the present Decision).

2.7. Description of the measure

- (20) The existing aid scheme provides support to the forestry sector, in order to ensure sustainable forest management, preserve all the non-productive functions of the forest ecosystems that benefit wider society and reduce forest holders’ costs for activities focusing on those functions.
- (21) For the detailed description of the existing aid scheme, the Commission refers to the initial decision¹⁹.
- (22) With the notified measure, the Czech authorities wish to introduce the following modifications to the existing aid scheme:
 - (a) inclusion of the State forest enterprise “*Lesy ČR*” (Czech Forests) in the scope of eligible beneficiaries (recitals (18) to (19) of the present decision);
 - (b) prolongation of the duration until 31 December 2027 (recital (11) of the present decision);
 - (c) implementation of flat rates as indicative amount (recital (16) of the present decision);
 - (d) implementation of modifications to measures as described in Section 2.7.1 of the present decision;
 - (e) inclusion of two new measures as described in section 2.7.2 of the present decision;
 - (f) increase of the budget of the scheme, to be financed from the national budget and from the RRF (recital (13) of the present decision).
- (23) No other modifications of the existing aid scheme are proposed.

¹⁸ Recitals (13) – (19) of the initial decision.

¹⁹ Recitals (5) – (172) of the initial decision.

2.7.1. *Modifications to the existing measures*

2.7.1.1. Changes to measures notified under Section 2.1.4 of Part II of the Guidelines²⁰

Modification of the way of granting the measure
“Stabilisation of forest stands within the statutory period”

- (24) Under the existing aid scheme, the support under the measure “*Stabilisation of forest stands within the statutory period*”²¹ has been provided as a one-time payment once the stand has been stabilized (usually after 5-7 years after planting). Under the present notification, it is proposed that the aid can also be granted annually until the planting (or natural regeneration) is stabilized, up to the maximum period of 5 years. In this up to 5-year period the total aid amount cannot exceed the maximum rate set for one-time granting (newly raised to 80 000 CZK per hectare).

2.7.1.2. Measures notified under Sections 2.1.5 and 2.1.6 of Part II of the Guidelines - no changes

- (25) There are no changes to measures notified under Sections 2.1.5 and 2.1.6 of Part II of the Guidelines.

2.7.1.3. Changes to measures notified under Section 2.3 of Part II of the Guidelines²²

- (26) The fixed rates are changed, as indicated in recital (17) of the present decision.

2.7.1.4. Changes to measures notified under Section 2.8.1 of Part II of the Guidelines²³

Measure “Artificial regeneration by planting (initial and repeated)”²⁴

- (27) Introduction of support for semi-sapling and sapling also for the first artificial regeneration (so far supported only under repeated regeneration).
- (28) Flat rates for artificial regeneration (first and repeated planting) have been unified for all type of planting material, even for first planting costly material (sapling, semi-sapling) can be supported with a higher flat rate.

²⁰ Recitals (27) – (55) of the initial decision.

²¹ Recitals (31) – (39) of the initial decision.

²² Recitals (77) – (100) of the initial decision.

²³ Recitals (77) – (100) of the initial decision.

²⁴ Recitals (113) – (119) of the initial decision.

- (29) Inclusion of pioneer and target tree species under the measure “*Artificial regeneration by planting – repeated planting*”. So far that measure only supported ameliorative and stabilizing tree species. It is proposed to include a group of pioneer and target tree species under the measure. So far only semi-saplings and saplings of ameliorative and stabilizing tree species were proposed for support at a rate of CZK 35/semi-sapling and CZK 55/sapling. Thus, also repeated planting by semi-saplings and sapling of pioneer and target basic tree species will be supported by flat rates of CZK 35/semi-sapling and CZK 55/sapling. The purpose is to allow support also for repeated planting by pioneer tree species (mainly broad-leave species) and to promote even more their positive functions, but also to support repeated planting for tree species which in one forest type fulfil the function of basic tree species according to national legislation while fulfilling the function of ameliorative species in other forest types (such as European Beech). These are also reasons why the cost calculation communicated previously for semi-saplings and saplings of ameliorative species can be applied fully to sapling and semi-sapling of pioneer and target basic tree species, as repeated planting covers mainly broad-leave species as in case of ameliorative species.

Preventive and defensive measures in forest protection”^{25 26}

- (30) The changes remove the obligation of notifying the installation of pheromone vaporisers to the granting authority. Forest owners will no longer be obliged to notify the installation of pheromone vaporisers to the granting authority.

2.7.1.5. Changes to measures notified under Section 2.8.2 of the Guidelines²⁷

Measure “Disposal of brushwood by chipping or crushing before the regeneration of forest through dissemination of matter”

- (31) The fixed rates are changed, as indicated in recital (17) of the present decision.

Measure “Tending of forest stands up to the age of 40 years (clearing and intermediate intentional felling - thinning)”

- (32) The fixed rates are changed, as indicated in recital (17) of the present decision.

²⁵ Recitals (125) – (137) of the initial decision.

²⁶ Installation and sanitation of traps designed to catch insects living underneath bark; purchase and installation of pheromone vaporisers, purchase of pheromone baits (traps); mechanical or chemical protection of wood (treatment of wood against insect pests through the application of an active substance or through debarking); treatment of wood against insect pests by means of insecticide nets.

²⁷ Recitals (138) – (160) of the initial decision.

2.7.2. *New measures*

- (33) Two new measures (recitals (14)(j) - (14)(k) of the present decision) will be included:
- (a) “Mechanical soil preparation before forest regeneration” and
 - (b) “Saving logging residues in piles and rows in forest”.
- (34) The Czech authorities confirmed that no aid will be granted to forest based industries or for commercially viable extraction of timber or for transportation of timber or the processing of wood or other forestry resources into products or for energy generation, and no aid will be granted for felling the primary purpose of which is the commercially viable extraction of timber or for restocking where the felled trees are replaced by equivalent one.
- (35) The Czech authorities confirmed that the new measures are not part of the Czech Rural Development Programme 2014-2020 (“Czech RDP”, still in force) and will not be co-financed in the next (post-2022) programming period. The Czech authorities explained that the measures are consistent with the objectives and priorities of the Rural Development (RD) and provided assurances that any overlapping with the RD support will be avoided. They have provided the following clarifications: While no support is possible for saving logging residues in forests under the Czech RDP, mechanical soil preparation before forest regeneration is eligible under two RDP types of operation (TO) (8.4.1 “*Restoring forestry potential after natural disasters*” and 8.5.3 “*Conversion of substitute tree species forests*”). The reasons are: the different focus of the State aid and the co-financed measures, insufficient allocation for forestry measures under the Czech RDP and the need for continual support for forest regeneration that is insecure in the RDP transitional period. The main source of support for forest regeneration and restoration is the existing aid scheme. RDP measures complement that scheme with specific regeneration (restoration) activities such as restoring after calamities by mainly abiotic agents like wind, snow etc. (RDP measure “Restoring forestry potential after natural disasters”) and restoring forests in areas with changed soil conditions due to air pollution from the past (RDP measure “Conversion of substitute tree species forests”). The Ministry of Agriculture, which coordinates the granting of aid under both the modified aid scheme and the Czech RDP, will in any case ensure that no double funding occurs.
- (36) The Czech authorities explained that the aid does not change the obligations resulting from relevant environmental EU legislation like Habitat Directive²⁸, Water Framework Directive²⁹ which are assessed e.g. at the moment during the approval of the forest management plans

²⁸ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora. (OJ L 206, 22.7.1992, p. 7–50).

²⁹ Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption. (OJ L 435, 23.12.2020, p. 1–62.)

for particular forest complex. The new measures have no impact on these processes and will not result in infringement of applicable Union environmental protection legislation. Further, in accordance with the Subsidy Framework, a violation of legal provisions regulating forest management would lead to the rejection of the aid application.

- (37) The new measures aim at facilitating forest regeneration that is part of preserving forest ecosystem and its functions. Saving logging residues in forests helps increasing biomass in ecosystem left to decay and thus enhances biodiversity of organisms dependent on decomposing organic matter. It will also raise forest contribution to carbon sequestration goals. Aid will not be provided for residues removed from forests for other (energy) purposes or residues burned in forests. Facilitating of forest regeneration is particularly important in case of large areas after sanitary logging to prevent pest spreading (in bark-beetle outbreak) in order to speed up restoring of soil-protecting forest functions.
- (38) The Czech authorities recognise that mechanical soil can temporarily lead to CO₂ emissions and worsen water retention capacity of the regenerated sites. However, the Czech authorities explained that positive and negative effects are balanced. In particular, effective regeneration enhances forest capacity in due time to have its full capacity to generate positive climatic impact and improved soil protection. Further, the Czech authorities explained that a mechanical soil preparation is limited to the cases where it is necessary and it is not prevailing in forest management. The objective of the mechanical soil preparation is to enable forest regeneration when the site conditions prevent the regeneration.

2.7.2.1. Measure “*Saving logging residues in piles and rows in forests*”

- (39) This measure is notified under Section 2.1.4 of the Guidelines (“*Aid for investments improving the resilience and environmental value of forest ecosystems*”).
- (40) The measure is introduced with the objective to prepare the site (soil) for natural regeneration initiation as well as for facilitation of artificial regeneration which would be made difficult if residues were left all over the sites.
- (41) At the same time, it should motivate the forest holders to keep the biomass after felling in the forests to decay (instead of removing it from forests for energy purposes) which will support the biodiversity of organisms dependent on decaying biomass and raise the contribution of forest to carbon sequestration.
- (42) The facilitation of regeneration has special importance in case of large areas felled after bark-beetle outbreak as it speeds up the restoration of soil-protection forest functions. The measure will contribute to the regeneration process leading to species-rich forests and thus raising environmental value of forests and enhancing climate change mitigation potential of the forest ecosystem.

- (43) The aid will not be paid for the residues removed from forests or burnt in forests.
- (44) The aid will be provided in the form of a flat rate up to 100 % of eligible costs, i.e. costs of residues removal and their saving in rows and piles. The Czech authorities indicated that they will use a flat rate of CZK 50/m³ (EUR 2,06), which represents approximately half of the usual costs of logging residuals processing under ordinary conditions (and even smaller part of such costs on sites with heavy weed, steep terrain etc.).

2.7.2.2. Measure “*Mechanical soil preparation before forest regeneration*”

- (45) This measure is notified under Section 2.8.1 of the Guidelines (“*Aid for specific forest actions and interventions with the primary objective to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape*”).
- (46) The aim of the measure is to ease regeneration. The measure is applied on sites where conditions requires grass sod or rake (litter) disruption in order to enable and facilitate regeneration, i.e. where the natural regeneration is not possible. The aim of the soil preparation is to disrupt continuous soil cover. The aid should facilitate forest regeneration as part of maintaining forest ecosystems and their functions, by preparing the site (soil) after felling for new planting or natural regeneration processes. As the main aim of the contribution for forest regeneration is building mixed species forests resilient to natural disturbances including climate change impacts (achieved by legislative framework laying down conditions for regeneration with prevailing share of broad-leave species (and silver fir)), the aid also encourages biodiversity in species-rich forests and enhances environmental and social forest functions.
- (47) The measure is limited to reforestation as afforestation of other than forest land is not supported under the Subsidy Framework. The contribution for mechanical soil preparation has not been provided before the bark-Beetle outbreak that started 2018.
- (48) The Czech authorities explained that the measure has no direct link to improvement of forest resilience and forest environmental value as required by Section 2.1.4. of the Guidelines, but it aims at maintaining or restoring forest functions by regeneration of forest ecosystems.
- (49) The primary objective of the measure is to facilitate the forest regeneration, which is a prerequisite for maintaining of forest ecosystem and restoring all its functions, incl. ecological, protective functions, biodiversity and others. The measure is part of the contribution to forest regeneration, stabilisation of forest stands and tending of forest stands up to 40 years, as it relates in scope and time with other measures of this contribution. Mechanical soil (site) preparation facilitates natural and artificial forest regeneration, including the regeneration of areas after bark-beetle felling. The measure is introduced also as a part of solution for regeneration of large areas damaged by bark-beetle outbreak.

- (50) The aid is provided subject to the confirmation of professional forest manager that the work done comply with the national law on forest (recital (5) of this decision), which requires that any operation in forests can only be performed in the way that doesn't disrupt the soil itself.
- (51) Eligible costs are limited to the operational costs of used machinery or equipment as well as costs of workforce. Eligible costs are costs of removing or mechanical disruption of grass sod and rake for the initiation of natural regeneration or the facilitation of artificial regeneration, while the presence of grass sod or rake could make impossible for seedlings to grow. The operation increases the probability of their establishment after planting, which reduces forests owner's costs and speeds up the restoration of ecological forest functions.
- (52) The aid will be provided in the form of flat rates up to 100 % of eligible costs. The Czech authorities indicated that they will use a flat rate of CZK 12 000/hectare (EUR 493) which only partially covers real costs. The Czech authorities confirm that the principles in recitals (21) to (24) of the initial decision will be respected and that the fix rates will be calculated for each operation (measure) per technical units (hectare, piece, metre etc.) and the calculation will be based on real costs of each operation. The granting authorities of the framework subsidies will monitor the market prices in order to exclude any overcompensation.

3. ASSESSMENT

3.1. Existence of aid - Application of Article 107(1) TFEU

- (53) According to Article 107(1) of the TFEU, "[s]ave as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market".
- (54) The qualification of a measure as aid within the meaning of this provision therefore requires the following cumulative conditions to be met: (i) the measure must be imputable to the State and financed through State resources; (ii) it must confer an advantage on its recipient; (iii) that advantage must be selective; and (iv) the measure must distort or threaten to distort competition and affect trade between Member States.
- (55) The presence of State aid in the existing aid scheme was already established in the initial decision.³⁰ The amendments, including the inclusion of the two new measures referred to in recitals (22)(e), (33)(a) and (33)(b) of this decision, do not affect this conclusion. Therefore, the amended scheme constitutes State aid within the meaning of Article 107(1) TFEU.
- (56) The aid may only be considered compatible with the internal market if it can benefit from one of the derogations provided for in the TFEU.

³⁰ Recital (177) of the initial decision.

3.2. Lawfulness of the aid – Application of Article 108(3) TFEU

- (57) The notified amendment was notified to the Commission on 2 August 2021. It has not been implemented yet (recital (11) above). Therefore, Czechia has complied with its obligation under Article 108(3) TFEU.

3.3. Compatibility of the aid

- (58) The aid may only be considered compatible with the internal market if it can benefit from one of the derogations provided for in the TFEU.

3.3.1. Application of Article 107(3)(c) TFEU

- (59) Under Article 107(3)(c), an aid may be considered compatible with the internal market, if it is found to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest.
- (60) Therefore, compatible aid under that provision of the Treaty must (i) contribute to the development of a certain economic activity and (ii) should not distort competition in a way contrary to the common interest. The aid must also comply with the relevant Union State aid rules.
- (61) In the case at stake, the Commission has assessed the compatibility of the measure in light of the conditions laid down in the Guidelines.

3.3.2. Application of the Guidelines

- (62) The Commission conducted the assessment of the compatibility of the existing aid scheme pursuant to Part I, Chapter 3 “Common assessment principles” and pursuant to the following Sections in Part II Chapter 2 of the Guidelines:
- (a) 2.1.4 (“Aid for investments improving the resilience and environmental value of forest ecosystems”)³¹;
- (b) 2.1.5 (“Aid for investments in forestry technologies and in processing, in mobilising and in marketing of forest products”)³²;
- (c) 2.1.6 (“Aid for investments in infrastructure related to the development, modernisation or adaptation of forestry”)³³;
- (d) 2.3 (“Aid for forest-environment and climate services and forest conservation”)³⁴;

³¹ Recitals (187) – (194) of the initial decision.

³² Recitals (195) – (203) of the initial decision.

³³ Recitals (204) – (210) of the initial decision.

³⁴ Recitals (211) – (220) of the initial decision.

- (e) 2.8.1 (“Aid for specific forest actions and interventions with the primary objective to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape”)³⁵;
- (f) 2.8.2 (“Aid for maintaining and improving the soil quality and ensuring a balanced and healthy tree growth in the forestry sector”)³⁶.
- (63) The existing aid scheme was found to comply with all the relevant provisions of the Guidelines. Therefore, as regards the details and the conclusions of the assessment of the compatibility of the existing aid scheme the Commission refers to the initial decision as indicated in recital (62) of the present decision.
- (64) The Commission considers that the implementation of flat rates as indicative (recitals (16) and (22)(c) of the present decision) and the modifications to the initial measures (recital (22)(d) of the present decision) as described in Section 2.7.1 of the present decision do not have an impact for the assessment of the existing aid scheme, as amended.
- (65) It remains however to assess the compatibility of other proposed changes (recital (22)(a), (22)(b), (22)(e) and (22)(f) of the present decision).
- (66) Other conditions and commitments under the existing aid scheme remain unchanged (recital (23) of the present decision).

3.3.2.1. The aid must facilitate the development of an economic activity

- (67) The existing aid scheme was found to facilitate the development of certain economic activities (recital (238) of the initial decision). The notified amendment (recital (22) of the present decision) does not alter that conclusion (recitals (73) (74), (84), (96) and (100) of the present decision). Therefore, as regards the details and the conclusions of the assessment the Commission fully refers to the initial decision.

3.3.2.2. The aid measure may not unduly affect trading conditions to an extent contrary to the common interest

- (68) The existing aid scheme was found to fulfil all the relevant provisions of the Guidelines and the Commission considered, in line with point (113) of the Guidelines, that the negative effect on competition and trade was limited to the minimum.
- (69) The notified amendment (recital (22) of the present decision) does not alter that conclusion as the addition of a new beneficiary does not have any impact in terms of compatibility (recital (74) of present decision) and the new measures comply with the specific provisions of Sections 2.1,

³⁵ Recital (231) of the initial decision.

³⁶ Recital (237) of the initial decision.

2.1.4, 2.8 and 2.8.1 of the Guidelines (recitals (84) and (96) of the present decision).

- (70) The Commission considers, in line with point (113) of the Guidelines, that the negative effect on competition and trade is limited to the minimum.

3.3.2.3. Inclusion of the State forest enterprise “*Lesy ČR*” (Czech Forests) in the scope of eligible beneficiaries

- (71) As regards the proposed change to the scope of beneficiaries (recitals (19) and (22)(a) of the present Decision), a State enterprise will become eligible for aid linked to the forest regeneration. It follows from point 498 of the Guidelines that there are specific restrictions as to the scope of eligible aid beneficiaries, which stem from Regulation (EU) No 1305/2013³⁷ and which apply to co-financed measures in the forestry sector and to certain investments, as referred to in Section 2.1.5 and Section 2.7, financed exclusively from national resources.

- (72) The measures for which the Czech Forests will become eligible are directly linked to the forest regeneration, i.e. “*Contribution for regeneration, stabilization and tending of forests stands*”, including the new measures (recital (19) of the present decision).

- (73) The new measures will not be co-financed under RDP (recital (35) of the present decision), nor were the measures under the existing aid scheme³⁸. They are not included in Sections 2.1.5 and 2.7 of the Guidelines but in Sections 2.1.4, 2.8.1 and 2.8.2. (recital (14) and table in recital (17) of the present decision). Consequently, the proposed modification to include the State forest enterprise is not subject to the restrictions provided for in point 498 of the Guidelines. Thus, the corresponding inclusion of the State forest enterprise “*Lesy ČR*” (Czech Forests) in the scope of eligible beneficiaries does not affect the compatibility assessment of the existing aid scheme with the internal market, as carried out in the initial decision.

3.3.2.4. The proposed prolongation and increase of the budget of the scheme

- (74) The corresponding budget increase and the prolongation of the duration referred to in recitals (13) and (22)(f) of the present decision does not affect the compatibility assessment of the existing aid scheme with the internal market, as carried out in the initial decision.

³⁷ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

³⁸ Recital (11) of the initial decision and recitals (13) to (14) of the present Decision.

3.3.2.5. Specific assessment according to the category of aid - inclusion of two new measures

- (75) The two new measures (recitals (14)(j) to (14)(k) and (22)(e) of the present decision) are the following:
- (a) “*Mechanical soil preparation before forest regeneration*”, notified under Section 2.8.1 of the Guidelines (“*Aid for specific forest actions and interventions with the primary objective to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape*”) and;
 - (b) “*Saving logging residues in piles and rows in forest*” notified under Section 2.1.4 of the Guidelines (“*Aid for investments improving the resilience and environmental value of forest ecosystems*”) (recitals (39) and (45) of the present decision).

Common provisions of Section 2.1 of Part II of the Guidelines concerning investments in the forestry sector

- (76) The measure “*Saving logging residues in piles and rows in forest*” provides aid for costs of residues removal and their saving in rows and piles, which is covered by the types of aid listed in point 500 of the Guidelines (recitals (40) to (43) of the present decision).
- (77) Points 501 and 503 of the Guidelines do not apply in the present case, because the measure is not part of the rural development programme (recital (35) of the present decision).
- (78) Under the measure aid is paid as a lump amount of CZK 50/m³ (EUR 2,06), which represents approximately half of the usual costs of logging residuals processing. The amount covers costs under points (502) (a), (b) and (e) of the Guidelines (recital (44) of the present decision).

Measure “*Saving logging residues in piles and rows in forest*” under Section 2.1.4 of the Guidelines (“*Aid for investments improving the resilience and environmental value of forest ecosystems*”)

- (79) According to point 529 of the Guidelines, the Commission will consider aid for investments improving the resilience and environmental value of forest ecosystems compatible with the internal market under Art. 107(3)(c) TFEU if it complies with the common assessment principles of the Guidelines and with the specific conditions laid down in Section 2.1.4 of the Guidelines.
- (80) As the compliance with the common assessment principles for measures falling under section 2.8.1 of the guidelines has already been established in the assessment of the existing aid scheme, the Commission refers to that assessment.
- (81) Points 498 and 530 of the Guidelines stipulates the potential aid beneficiaries. It follows from recitals (13) to (14) and (18) to (19) of the present decision that beneficiaries of the aid are in line with points 498 and 530 of the Guidelines.

- (82) In accordance with point (531) of the Guidelines, investments should be aimed at the achievements of commitments for environmental aims for the provisions of ecosystem services and/or for the enhancement of the public amenity value of forests and wood land in the area concerned or the improvement of the climate change mitigation potential of ecosystems, without excluding economic benefits in the long term. The measure aims at contributing to the regeneration process leading to species-rich forests and thus raising environmental value of forests and enhancing climate change mitigation potential of the forest ecosystem (recitals (40) to (43) of the present decision). Therefore, point (531) of the Guidelines is complied with.
- (83) Aid may be granted up to 100 % of eligible costs (point 532) of the Guidelines. The aid will be provided in the form of a flat rate up to 100 % of eligible costs, i.e. costs of residues removal and their saving in rows and piles. The Czech authorities indicated that they will use a lump amount of CZK 50/m³ (EUR 2,06), which represents approximately half of the usual costs of logging residuals processing under ordinary conditions (recital (44) of the present decision). Therefore, point (532) of the Guidelines is complied with.
- (84) Based on recitals (76) to (83), it can be concluded that the requirements of Sections 2.1. and 2.1.4 of Part II of the Guidelines are fulfilled.

Common provisions Chapter 2.8 of Part II of the Guidelines

- (85) The measure “*Mechanical soil preparation before forest regeneration*” is notified under Section 2.8.1 of the Guidelines (“*Aid for specific forest actions and interventions with the primary objective to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape*”).
- (86) The aim of the measure is to enhance regeneration. It follows from recitals (45) to (49) of the present decision that the measure aims at maintaining and restoring a healthy forest ecosystem and biodiversity. Therefore, points 589 and 590 of the Guidelines are complied with.
- (87) Pursuant to recitals (46) to (51) of the present decision, point 591 of the Guidelines is complied with and, accordingly, no aid will be granted to forest based industries or for commercially viable extraction of timber or for transportation of timber or the processing of wood or other forestry resources into products or for energy generation, nor for felling the primary purpose of which is the commercially viable extraction of timber or for restocking where the felled trees are replaced by equivalent ones.
- (88) According to point 592 of the Guidelines, aid may be granted up to 100 % of the eligible costs. It follows from recital (52) of the present decision that the aid intensity is in line with that provision.
- (89) According to point 593 of the Guidelines, aid may be granted to undertakings active in the forestry sector. This condition is fulfilled (recitals (18) to (19) of the present decision).

Measure “Mechanical soil preparation before forest regeneration” notified under Section 2.8.1 of the Guidelines (“Aid for specific forest actions and interventions with the primary objective to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape”)

- (90) According to point 594 of the Guidelines, the Commission will consider aid for planting, pruning, thinning and felling of trees and other vegetation in existing forests, the removal of fallen trees, and the planning costs of such measures and aid for the costs of treating and preventing the spreading of pests and tree diseases compatible with the internal market under Article 107(3)(c) TFEU if the aid complies with the common assessment principles and the common provisions applicable to Section 2.8 of Part II of the Guidelines, and where the primary objective of such measures is to contribute to maintaining or to restoring forest ecosystem and biodiversity or the traditional landscape.
- (91) As the compliance with the common assessment principles for measures falling under section 2.8.1 of the guidelines has already been established in the assessment of the existing aid scheme (recitals (228) to (229) of the initial decision), the Commission refers to that assessment.
- (92) The existing aid scheme as amended by the notified measure still complies with the common assessment principles (recitals (63), (64), (70), (73) and (74) and Section 3.3.2.2 of the present decision).
- (93) The common provisions applicable to Section 2.8 of the Guidelines are complied with (recitals (86) to (89) of the present decision).
- (94) The primary objective of the measure concerned is to ease regeneration. The aid facilitates forest regeneration as part of maintaining forest ecosystems and their functions, by preparing the site (soil) after felling for new planting or natural regeneration processes (recital (46) of the present decision). Therefore, the primary objective of the measure is to contribute to maintaining and restoring forest ecosystem and biodiversity.
- (95) In light of recitals (85) to (89) and (91) to (94) of the present decision, point 594 of the Guidelines is complied with.
- (96) Based on recitals (85) to (95) of the present decision, the Commission concludes that the requirements of Sections 2.8. and 2.8.1 of Part II of the Guidelines are fulfilled.

3.3.2.6. Balancing the positive and negative effects of the aid

- (97) The existing aid scheme as amended by the notified measure aims at maintaining and restoring forest ecosystems and it can be considered an appropriate tool to help beneficiaries achieve these objectives and facilitate the development of economic activities without adversely affecting trading conditions to an extent contrary to the common interest.

- (98) The Commission takes note that compensation under the existing aid scheme as amended will not be granted to undertakings in difficulty, within the meaning of the definition stipulated in point 35(15) of the Guidelines (recital (17) of the initial decision). This is in line with point (26) of the Guidelines.
- (99) The Commission takes note that no aid will be granted to undertakings still having at their disposal an earlier unlawful aid that was declared incompatible by a Commission decision (recital (18) of the initial decision), in line with point (27) of the Guidelines.
- (100) In accordance with point (719) of the Guidelines, the Commission only authorises schemes of limited duration. Aid schemes other than those benefiting from co-financing under Regulation (EU) No 1305/2013 and its implementing regulation should not apply for more than seven years. It follows from recitals (11) and (74) of the present decision that this requirement is met.
- (101) The Commission notes the scheme will be adapted to the State aid rules applicable after the expiry of the Guidelines (recital (12) of the present decision).
- (102) In light of the above, the Commission concludes that the existing aid scheme as amended by the notified measure still complies with the relevant provisions of the Guidelines and is therefore compatible with the internal market under Article 107(3)(c) TFEU.

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)(c) TFEU.

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Your request should be sent electronically to the following address:

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Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President