

European Commission opens in-depth investigation into Romanian support measures in favour of Blue Air

The European Commission has opened an in-depth investigation to assess whether or not certain Romanian support measures in favour of the airline Blue Air Aviation are in line with EU state aid rules, according to a press statement released on Monday

The Romanian airline Blue Air has been experiencing financial difficulties since 2019. In March 2020, as other companies active in the aviation sector, it was seriously hit by the coronavirus pandemic. In November 2022, Blue Air's operating licence was suspended temporarily due to the airline's financial situation.

In August 2020, the commission approved two measures in favour of Blue Air: about EUR 28 million in a public guarantee to compensate for the damages resulting from the coronavirus pandemic and the travel restrictions imposed by Romania and other countries to limit the spread of the virus; about EUR 34 million in a public guarantee on a rescue loan intended to partly cover Blue Air's liquidity needs for the following six months.

Romania pledged to ensure that the public guarantee on the rescue loan would be terminated after six months, or that it would communicate either a liquidation plan or a comprehensive restructuring plan for Blue Air to the commission for state aid assessment.

In April 2021, Romania first communicated to the commission a restructuring plan for Blue Air covering the period between August 2020 and September 2025. The plan has been updated several times and includes an extension of the duration of the guarantee on the rescue loan to six years (including the initial six months rescue period), allowing for a repayment of the aid until 2026, as well as planned restructuring measures and expected private finance. In November 2022, Romania reimbursed the loan and took a 75% shareholding in Blue Air.

At this stage, the commission has concerns that the restructuring plan and the aid measures implemented to support this plan are not in line with EU State aid rules, in particular with the Guidelines on rescue and restructuring aid.

The commission will now carry out an in-depth investigation to determine whether or not its initial concerns are confirmed. In particular, the commission will examine whether the restructuring plan can restore Blue Air's long-term viability without additional or continued state aid; Blue Air's own or market contributions to the restructuring costs are sufficient, real, actual and free of any aid, so as to ensure that the restructuring aid is proportionate; and there are appropriate measures in place to limit the distortions of competition created by the restructuring aid on the internal market for air transport services.

The opening of an in-depth investigation gives Romania and interested third parties, including the beneficiary of the aid, the opportunity to submit comments. It does not prejudice in any way the outcome of the investigation.

Under the EU state aid rules, more specifically the guidelines on rescue and restructuring aid, the EU member states may support companies in distress under certain strict conditions. In particular, aid may be granted for a period of up to six months as rescue aid. Beyond this period, the aid must either be reimbursed or member states must notify a restructuring plan to the commission, for assessment under the state aid rules. In order for restructuring aid to be approved, the plan must ensure that the viability of the company can be restored without continued state support, that the company contributes sufficiently to the costs of its restructuring and that distortions of competition created by the aid are addressed through compensatory measures, including in particular structural or behavioural measures.