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*(Information)*INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES
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EUROPEAN COMMISSION

Communication from the Commission amending the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance

(2017/C 206/01)

I. INTRODUCTION

- (1) The Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance⁽¹⁾ (the 'Communication') stipulates in paragraph 13 that State insurers⁽²⁾ cannot provide short-term export-credit insurance for marketable risks. Marketable risks are defined in paragraph 9 as commercial and political risks with a maximum risk period of less than two years, on public and non-public buyers in the countries listed in the Annex to that Communication.
- (2) As a consequence of the difficult situation in Greece, a lack of insurance or reinsurance capacity to cover exports to Greece was observed in the years from 2012. This led the Commission to amend the Communication by temporarily removing Greece from the list of marketable risks countries in 2013⁽³⁾, in 2014⁽⁴⁾, during the first six months of 2015⁽⁵⁾, in June 2015⁽⁶⁾ and in June 2016⁽⁷⁾. The most recent extension of this amendment expires on 30 June 2017. As a consequence, as from 1 July 2017, Greece would in principle be considered again as marketable, since all EU Member States are included in the list of marketable countries listed in the Annex to the Communication.
- (3) However, in accordance with paragraph 36 of the Communication, the Commission started to review the situation several months before the end of Greece's temporary removal in order to determine whether the current market conditions justify the expiry of Greece's removal from the list of marketable risk countries as of 1 July 2017, or whether the market capacity is still insufficient to cover all economically justifiable risks, so that a prolongation is needed.

II. ASSESSMENT

- (4) By virtue of section 5.2 of the Communication, the Commission will conduct its assessment, based on the criteria laid down in recital (33): private credit insurance, sovereign rating, corporate sector performance (insolvencies).
- (5) When determining whether the lack of sufficient private capacity to cover all economically justifiable risks justifies the prolongation of the temporary removal of Greece from the list of marketable risk countries, the Commission consulted and sought information from Member States, private credit insurers and other interested parties. On 10 April 2017, the Commission published an information request on the availability of short-term export-credit insurance for exports to Greece⁽⁸⁾. The deadline for replies expired on 12 May 2017. The Commission received twenty-one replies from Member States and private insurers.

⁽¹⁾ OJ C 392, 19.12.2012, p. 1.

⁽²⁾ A State insurer is defined by the Communication as a company or other organisation that provides export-credit insurance with the support of, or on behalf of, a Member State, or a Member State that provides export-credit insurance.

⁽³⁾ OJ C 398, 22.12.2012, p. 6.

⁽⁴⁾ OJ C 372, 19.12.2013, p. 1.

⁽⁵⁾ OJ C 28, 28.1.2015, p. 1.

⁽⁶⁾ OJ C 215, 1.7.2015, p. 1.

⁽⁷⁾ OJ C 244, 5.7.2016, p. 1.

⁽⁸⁾ http://ec.europa.eu/competition/consultations/2017_export_greece/index_en.html

- (6) The information submitted to the Commission in the context of the public information request indicates that private export-credit insurers have remained restrictive to provide insurance coverage for exports to Greece in all trade sectors. At the same time, State insurers continued to register sizeable demand for credit insurance for exports to Greece, which corroborates the limited availability of private insurance.
- (7) Greece's sovereign credit ratings currently are Caa3 (Moody's), B- (Standard & Poor's), and CCC (Fitch). All of these put Greece in the non-investment grade category and point towards substantial risks for creditors. As of June 2016, the Greek government bonds are accepted by the European Central Bank (ECB) as collateral, but with a significant discount to be applied on their nominal value. In addition, ECB continues to refuse including them in its bond purchase programme.
- (8) The Greek 10-year government bond is currently trading at a yield around 6 %. While this yield has come down compared to one year ago, it is remaining nevertheless significantly elevated compared to the other EU Member States ⁽¹⁾.
- (9) Despite the high uncertainty, the Greek economy returned to mild growth in the first quarter of 2017. The data released by the Hellenic Statistic authority in June 2017, revealed that real GDP has increased by 0,4 % compared to the previous quarter in seasonally and calendar-adjusted terms, and 0,4 % compared to the first quarter of 2016 ⁽²⁾. Real GDP growth for 2017 is expected to amount to 2,1 % ⁽³⁾, which is a downward revision compared to the previous estimation. The constraints of the financial system to finance investment are expected to ease gradually.
- (10) In these circumstances the Commission expects that private export-credit insurers will continue to be very cautious in providing insurance coverage for exports to Greece or even completely withdraw from the Greek market. Private insurers will likely resume increasing their exposure, only if there is more visibility and clarity regarding the political and economic policies in Greece and if a significant improvement of the economic situation is noticed.
- (11) For those reasons, the Commission established a lack of sufficient private capacity to cover all economically justifiable risks and decided to prolong the removal of Greece from the list of marketable risks until 30 June 2018. The conditions of coverage set out in section 4.3 of the Communication are applicable in this case.

III. AMENDMENT TO THE COMMUNICATION

- (12) The following amendment to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance will apply from 1 July 2017 until 30 June 2018:
 - the Annex is replaced by the following:

‘ANNEX

List of marketable risk countries

All Member States with the exception of Greece

Australia

Canada

Iceland

Japan

New Zealand

Norway

Switzerland

United States of America’.

⁽¹⁾ This corresponds to a spread of around 5,5 % to the yield of the 10 year German Bund.

⁽²⁾ <http://www.statistics.gr/en/home/>

⁽³⁾ DG ECFIN Spring 2017 forecast: https://ec.europa.eu/info/sites/info/files/ecfin_forecast_spring_110517_el_en.pdf