

Authorisation of State aid pursuant to Article 61 of the EEA Agreement and Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement

EFTA Surveillance Authority decision not to raise objections

(2006/C 7/06)

Date of adoption: 20.7.2005

EFTA State: Iceland

Aid No: Case 55362

Title: Tax and fee concessions in favour of the aluminium smelter Norðurál hf. at Grundartangi, Iceland

Objective: The objective of the aid granted by means of (i) amendments to a previous scheme on tax and fee concessions; and (ii) certain non-notified tax and fee concessions (forming part of the scheme) is to enhance the attractiveness of the Vesturland region for investment purposes.

Legal basis: The previously existing legal instruments of

- (i) Act No. 62/27 May 1997 on Enablement to Enter into agreements on an Aluminium Smelter at Grundartangi (hereinafter the 'Grundartangi Act'); and
- (ii) the Investment Agreement of 7 August 1997 between the sole shareholder of Norðurál hf., Columbia Ventures Corporation, and the Government of Iceland (hereinafter referred to as the 'Investment Agreement') were changed by
 - (i) the signature on 9 February 2005 of the 'Second Amendment to the Investment Agreement' by the Icelandic Government and Century Aluminum; and
 - (ii) Act No. 85/2003 (passed on 13 March 2003 by the Althingi) which amends the Grundartangi Act in a similar manner as the Investment Agreement.

Budget/Duration: EUR 88,3 million and 10,7 % aid intensity. The scheme has been permitted to be valid until 31 October 2018.

Form of the aid: Tax and fee concessions

Decision:

1. The EFTA Surveillance Authority does not raise objections to the grant of aid in favour of Norðurál hf. by means of the following (i) non-notified aid measures forming part of a previously approved aid scheme; and (ii) amendments made to such aid scheme:

- the maximum corporate income tax of 18 %;

- the accelerated depreciation of assets;
- the minimum time span of nine years for deducting operating losses;
- the exemption from customs and excise duties on imports or domestic purchase of materials used for the construction of Norðurál hf.;
- deferral from the payment of VAT on imports;
- the exemption from excise customs duties on material for the operation of Norðurál hf.;
- the tax deferral in respect of funds allocated into a special account and accelerate depreciation of assets purchased for such funds;
- the exemption from payment of fees for safety controls of electricity production;
- the difference between the statutory amount to be paid for zoning fee and the amount actually paid; and
- the non-payment of rent for the increased size of land between 5 February 2005 and 1 January 2006.

2. The state aid involved in the abovementioned measures must be counted towards ceiling fixed in the Appropriate Measure Decision and respect all the conditions set forth herein, including the maximum aid amount of EUR 88,3 million and maximum aid intensity of 10,7 % and the expiry of the application of the Grundartangi Aid Scheme on 8 July 2018.

3. Iceland is requested to submit annual reports regarding the implementation of the aid in accordance with Article 21 in Part II of Protocol 3 to the Surveillance and Court Agreement in conjunction with Articles 5 and 6 of the Authority's decision 195/04/COL.

4. This Decision is addressed to the Republic of Iceland

The authentic text of the decision, from which all confidential information has been removed, can be found at:

<http://www.eftasurv.int/fieldsOfWork/fieldstateaid/stateaidregistry>