

European Commission approves 19.3-million-euro loan for state-owned airline Tarom

In a press statement released on Monday, the European Commission announced having approved a loan guarantee of up to around 19.3 million euros (approximately 94 million lei) in favour of the Romanian state-owned airline TAROM.

The measure aims to compensate the airline for the losses directly caused by the coronavirus outbreak and the travel restrictions introduced by Romania and other destination countries to limit the spread of the coronavirus March 16, 2020- June 30, 2020 that forced Tarom to cancel most of its scheduled flights, and caused major losses in turnover.

The public support will take the form of guarantee to market loan(s)

The commission assessed the measure under Article 107(2)(b) of the Treaty on the Functioning of the European Union (TFEU), which enables the commission to approve state aid measures granted by member states to compensate specific companies or specific sectors (in the form of schemes) for the damages directly caused by exceptional occurrences, such as the coronavirus outbreak. The commission found in particular that the Romanian measure will compensate damage that is directly linked to the coronavirus outbreak.

An independent external audit firm will verify that the aid does not exceed the amount of damage sustained March 16 - June 30, 2020. Following the audit, any public support received by TAROM in excess of the actual damage suffered will have to be returned to Romania.

The commission also found that the measure is proportionate as the compensation does not exceed what is necessary to make good the damage. On this basis, the commission concluded that the Romanian measure is in line with EU State aid rules.

On August 20, the European Commission announced having approved 62 million euros in loan guarantee to compensate privately-owned airline Blue Air for damage sustained as a result of the COVID-19 pandemic.

Earlier, Romania's Ministry of Transport, Infrastructure and Communications (MTIC) released for public consultation a draft emergency ordinance regulating the guarantee by the Ministry of Public Finance (MFP) of two bank loans to be granted to TAROM and Blue Air. "In order to ensure compliance with European state aid rules, it is provided that the granting of individual state aid will be made only after obtaining authorisation from the European Commission and under the conditions set out in the decision of the European Commission," concludes the emergency ordinance published earlier August by the Ministry of Transport.