

STATE AID IN ENVIROMENT PROTECTION

1. State aid is a European Commission term which refers to forms of support from a public body given to entrepreneurs on a selective basis, with the potential to distort competition and affect trade between member states of the European Union. We have three main types of state aid: horizontal, regional and sectoral. In horizontal we have aid which can be granted to: research, development and innovation, small and medium sized enterprises, training and environment.

2. State aid for the purposes of environmental protection can be spent on: early adaptation to future Community standards, environmental studies, energy saving, renewable energy sources, cogeneration and aid for district heating, waste management, remediation of contaminated sites, relocation of undertakings, involved in tradable permit schemes, in the form of reductions of or exemptions from environmental taxes[Community guidelines].

3. State aid can be sometimes very effective tools for achieving objectives of common interest. Because state aid can correct market failures, thereby improving the functioning of markets and enhancing competitiveness. It can also help to promote sustainable development, irrespective of the correction of market failures. Environmental protection can provide opportunities for innovation, create new markets and increase competitiveness through resource efficiency and new investment opportunities. State aid can be conducive to these objectives, thus contributing to the core Lisbon strategy objectives of more sustainable growth and jobs.

4. The primary objective of State aid control in the field of environmental protection is to ensure that state aid measures will result in a higher level of environmental protection than would occur without the aid and to ensure that the

positive effects of the aid outweigh its negative effects in terms of distortions of competition, taking account of the polluter pays principle (PPP) established by Article 191 of the EC Treaty [Treaty].

5. According to the PPP, these negative externalities can be tackled by ensuring that the polluter pays for its pollution, which implies full internalisation of environmental costs by the polluter. This is intended to ensure that the private costs (borne by the undertaking) reflect the true social costs of the economic activity. Full implementation of the PPP would thus lead to correction of the market failure. The PPP can be implemented either by setting mandatory environmental standards or by market-based instruments. Some of the market-based instruments may involve the granting of State aid to all or some of the undertakings which are subject to them.

6. Every member states of European Union must submit annual reports to the Commission about granted state aid in environmental protection.

Literature:

1. *Community guidelines on state aid for environment protection, OJ C82/2008.*
2. *Consolidated Version of the Treaty on the Functioning of the European Union, OJ C 115/2008.*

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THE CHOSEN DETERMINANTS OF INVESTMENT ATTRACTIVENESS OF REGIONS

Developing a universal list of regional attractiveness determinants represents, beyond any doubt, a difficult task. It becomes even more complicated due to the fact that for different investors the same factors can be of larger or smaller importance in terms of particular economic activities. In case of an entrepreneur selling all his/her production outside regional markets the regional sales market absorption capacity does not have to be of the utmost importance. These entities which carry out manufacturing processes based on operational staff do not consider important the