Guidelines- Aid to shortsea shipping

The guidelines for aid to shortsea shipping are issued by the Norwegian Ministry of Transport and Communications on February 16th, 2017, and modified February 16th, 2018.

The guidelines pursuant to Section 8 of the Norwegian Regulation on Financial Management in the Central Government and Chapter 6 in the Provisions on Financial Management in Central Government, and EFTA Surveillance Authority’s (ESA) decision (208/16/COL) of 21 November 2016.

1. Scheme objective

The objective of the grant scheme for short sea shipping is to encourage a modal shift of freight from road to sea.

2. Performance criteria for the scheme

The scheme’s performance will be measured by amount of freight transferred from roads to water measured in tonnes-kilometres.

3. Beneficiaries

Shipowners established in the EEA area, having ships registered under the flag of an EEA country, may apply for grants provided this contributes to a shift of freight from Norwegian roads to waterborne services.

A shipowner is a person or persons who equips and operates a ship at their own expense. The shipowner may be the owner of the vessel, but can also operate to provide total freight services by means of a hired vessel (“bareboat charter”). The shipowner can be an individual or a consolidation of partners, for example a shipping partnership or a limited liability company. If a shipping partnership operates the vessel, all part owners shall be deemed as ship-owners under this definition.

More than one shipowner can enter into a cooperative project. In the event of a cooperative partnership with other stakeholders, the aid will be paid solely to the shipowner.

4. Duration and budget

The duration of the aid scheme is three years from February 16th, 2017 through February 16th 2020. No grants may be allocated after February 16th 2020.

Projects may receive aid from this scheme for a maximum of three years.

The scheme is funded over the Norwegian National budget, chapter 1360, post 72. Annual funds are set in the Norwegian Parliament’s adopted annual budget.
5. Projects eligible to receive aid

The National Coastal Administration (hereinafter referred to as the NCA) can allocate grants from this scheme to new, or, in exceptional circumstances, existent coastal or short sea services.

Grants from this scheme shall offer financial aid to projects that ensure a modal shift of freight from Norwegian roads to sea, thus generating environmental and social utility’s. The project must depend on financial support as well as be capable of remaining in operation after the aid period.

A project is defined by its route (sailing pattern), the type of goods, related transport services, and the transferred road transport. Each project must generate environmental and wider social benefits within Norway.

No more than one project can be financed per line, and no renewal, extension or repetition of the project in question is permitted. The exception is when the project is complementary to another project. Thus, an overlap with another project or existent services will be accepted only if the services are complementary to one another. For example, if the type of freight or sailing schedules differ. Complementary projects must result in a net increase in transferred goods from roads to sea transport.

All applicants must specify whether the project entails the inception of a new service, or, the upgrade of an existent service at risk of ceasing operation.

5.1 New short sea service

Only new services can receive aid, hence the objective of the aid scheme is to shift freight from road to waterborne transport, and not to finance the transport of freight already transported by waterborne transport.

Modifications to an existent service i.e. in sailing pattern or freight services may deem the service as new provided the modifications lead to a modal shift. In such cases, aid shall be limited to that part of the project, which constitutes a new service. The project is defined by the modification made to the existent service and the freight transferred from road to sea, resulting from the modification. Existent freight may not be included in the calculation of project’s utility value.

5.2 Upgrade of an existent service

In cases where an existent service is at risk of ceasing operation, aid may be granted to upgrade the service in question. Special conditions apply for such projects.

- Such applicants must provide the NCA with clear evidence that the service in question would cease operation in the absence of financial support by the state.
- The application must demonstrate that the service’s current freight would be transferred to road following the discontinuation of the service.
- The applicant must also identify the reason why the service cannot continue without support.
- The application must demonstrate in detail how the upgrade will turn the service into
one with long-term viability.

An existent service may, under these circumstances, be regarded as a new service, since current freight volumes would be transferred to road.

Upgrades to existent services at risk of discontinuation may include improved vessel specifications, increased capacity or quality of service, regularity of sailing, changes to the sailing schedule, total voyage time, etc. All upgrade expenses must be identified and connected to the upgrade of the service.

6. Impact on competition

Grants from this scheme shall not distort competition in a way incompatible with the common interest as set in the EEA Agreement. Hence, another important allocation criteria condition for grant allocations from this scheme is that the external benefits from funding projects must exceed the potential negative effects on competition.

The NCA will assess each project individually in order to identify potential negative impacts on competition, and can decide to limit the scope of a project or reject projects that excessively distort competition.

7. Eligible costs

The term eligible costs applies to expenses eligible for support. The NCA applies the eligible cost to calculate the aid ceiling (see point 8). Eligible costs are the same for both new services and upgrades to existent services at risk of discontinuation.

Eligible costs for a project can be either operating costs or investment cost of trans-shipment equipment. A combination of these two alternatives is not accepted.

7.1 Alternative including operating costs

Operating costs directly related to the modal shift from road to sea transport are eligible for support. Such costs may include:

- The cost of hiring, leasing or amortisation of sea-going vessels
- The cost of hiring, leasing or amortisation of installations permitting trans-shipment between shipping routes, railways and roads
- The costs of using maritime services
- The expenditure relating to operation of technological equipment
- The costs of measures related to personnel and training
- The costs for promoting the specific route, including expenses for information and communication activities
- The administrative costs linked with the current project
- The costs associated with separate accounting

1 If the service includes freight and passenger transport, separate accounting is required. Only expenses related to the transfer of freight from road to sea shall be eligible for support.
Other operating costs may also be eligible for support, i.e. costs incurred before project implementation such as analysis and feasibility studies.

7.2 Alternative including investment in trans-shipment equipment

Alternatively, you may apply for support to cover investment costs related to trans-shipment equipment. This may include necessary freight handling equipment to enable efficient intermodal trans-shipments.

8. Grant ceiling

The grant ceiling is the upper limit for aid.

8.1 Grant applications for aid to cover operating costs

The upper limit for aid is restricted to whichever is lowest of the following options

- 30% of eligible operating costs or
- the utility value from modal shift (see Point 9.1)

8.2 Grant applications for aid to purchase of trans-shipment equipment

The upper limit for aid is restricted to whichever is lowest of the following options

- 10% of investment costs for trans-shipment equipment or
- the utility value from modal shift (see Point 9.1)

The grant cannot be cumulated (combined) with public service compensation.

Grant recipients must provide information on all other state support linked to the same eligible costs.

Accumulation with other state support for the same eligible costs is limited upwards to the most advantageous aid ceiling. This means that if the grant recipient receives aid through other EU funding, or is entitled to receive financial support under other grant schemes, the corresponding grant ceiling shall be limited to 30% of the sum of operational costs.

Individual grants above 500,000 EUR must be registered in the central registry in accordance with Norwegian Regulations No. 834\(^2\) of 29 June 2016 on Registrations of State Aid.

\(^2\) Regulations on the Registration of Public Support
9. Grant allocation criteria

Potential projects are assessed according to the following criteria:

- There must be environmental and social benefits derived from the transport of goods by sea rather than road
- The project would not be implemented without financial aid
- The project will become commercially viable after the grant period

9.1 Calculation of utility value

Transport activities cause external costs such as accidents, noise, congestion, local pollution, greenhouse gas emission and infrastructure damage. In general, the external costs per unit (tonne-kilometre) of maritime transport are lower than the external costs per unit (tonne-kilometre) of road transport. The external costs per tonne-kilometre for sea transport and road transport vary according to the density of the population in which the transport is performed. Hence, a modal shift of freight from road to sea, reduces the external costs from transport, thereby producing environmental and wider social benefits. The environmental and wider social benefits, hereinafter termed as utility value, is equal to the difference between the total external costs for the road transport option and the sea transport option.

Applicants must apply the NCA’s mapping tool to calculate the utility value by providing an estimate of the total volume of freight shifted off road during the grant period. In practice, a project may comprise freight transport between many combinations of point of origin and destination, i.e. line traffic. Local road distribution legs to and from ports must be included in the calculation of the utility value.

The NCA assists applicants in calculating the utility value, particularly when transport patterns are complicated. All utility value calculations are subject to control upon receipt of application.

9.2 The project must depend on financial aid to be implemented

Applicants must provide a detailed business plan, which demonstrates that the project during a period of maximum three years depends on financial support in order to achieve a modal shift for the specified freight.

The business plan must include a financial analysis indicating all expected revenues and expenses related to the project over a minimum of four periods.

All expenses must be identifiable and verifiable. Evidence must be provided upon request. Unverifiable costs, will not be included in the NCA’s evaluation of the project’s need for financial support from this scheme.

Applications relating to the new services, resulting from a modification to an existent service, must include a financial analysis on all revenues and expenses directly related to the modification. All revenues and expenses related to the transport of current freight volumes must be separated from those related to the freight volumes shifted off road in the financial
9.3 The project must be commercially viable after the end of the aid period

The business plan and financial analysis must demonstrate that the project will be commercially viable without financial support after the grant period.

10. Grant density

Grants awarded correspond with the calculated utility value for the project, up to the project’s grant ceiling.

The grant period is divided into three equal periods. A period can be one year or less. Grant allocations to each periods follow a descending profile where; 50% of the total grant is allocated to the first period; 33.33% to the second period and 16.67% to the third period.

Grant payments depend on the actual freight volumes shifted off road during each period. Lower freight volumes than estimated normally generate reduced grant payments. However, increased freight volumes do not generate increased grant payments. As an alternative, insufficient and surplus freight volumes may be recouped or forwarded to the following period. If estimated volumes are completed prior to the end of the period, the grant may be paid, and the next period initiated.

If, during the course of the project, the estimated volumes and thus the grant awarded, is set too high, the NCA will conduct a new review of the project and may reduce the grant accordingly.

11. Scheme administration

The Norwegian Coastal Administration (NCA) administers the scheme on behalf of the Ministry of Transport and Communications.

All relevant information about the scheme, application deadline and annual funds are published on the scheme web page.

If funds remain after the first round of grant allocation, a second rounds will be announced on the scheme web page.

Grant awards are given in grant letters stating the terms and conditions for the grant, i.e. reporting requirements as well as payment conditions. For applications that are not successful a letter of rejection will be sent. Recipients of grant letters must accept the terms and conditions within two weeks after receiving the grant letter. Failure to accept the terms and conditions will automatically lead to cancellation of the grant award without further notice.

11.1 Application requirements

The NCA’s online application form must be used when applying for grants from this scheme.
The application should demonstrate a satisfactory financial, professional and practical capability to complete the project. Applicants must provide the information necessary for the NCA to adequately assess the project.

It is important that the application is complete when submitted. It is recommended that you schedule a guidance meeting with the NCA prior to formulating your application.

The application must include a detailed business plan describing the project; sailing pattern, cargo, all related services and the estimated freight transfers in each period. The estimated freight transfers constitute the basis for calculation of the utility value. The calculation of the project’s utility value must include all periods and adherent calculation ids. Evidence of future freight transfers, i.e. bills of lading, is not mandatory, but will enforce your application.

The business plan must include a financial analysis of the development of the project’s economic viability. The analysis must state all revenues and expenses related to the project during the project’s first four periods. Furthermore, it should demonstrate how the project depends on financial support during its first three periods, and how it will become commercially viable after the third period. The project budget may include expenses not eligible for support. Expenses must be identifiable and verifiable in order to be included in the assessment for support.

The application must also include information about the expected implementation date for the service, desired length of each period as well as payment schedule. A period may be maximum 12 months in length. The date of implementation may, however, not be set later than 12 months after the decision. An award decision must exist prior to initiation of the project.

The application must include a list of all the operating costs pertaining to the project. Applicants are obligated to disclose any other state aid awards, which may be linked to the same expenses.

11.2 Grant payments

Grants will, in general, be paid in arrears, following receipt of evidence\(^3\) of the transferred freight volumes. However, one advance payment of up to 50 % of the allocated grant for the first period is possible in connection with the implementation of the service.

Grant payments may also be requested as freight transfers are achieved, provided evidence is submitted.

The desired grant payment plan should be indicated in the application.

11.3 Advance payment

An advance payment may be granted in connection with the implementation of the service.

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\(^3\) Evidence of transfers can be copies of invoices or bills of lading.
Advance payments are constricted to 50 percent of the grant award for the first period, or 25 percent of the total grant. The grant paid in advance will be deducted from the final payment due after completion of the first period.

If the grant paid in advance exceeds the grant due, i.e. the actual transferred freight volumes are lower than expected, another deduction will have be made in the subsequent period. In such cases, the NCA will conduct a new assessment of the project’s probability of obtaining commercial viability after the grant period, and may request more information or additional documentation. If the NCA concludes that project no longer is commercially viable, further grant payments will terminate.

11.4 Changes during the course of the project

Aid recipients cannot make substantial changes to the project that are not in line with the conditions in the grant letter, without a written consent from the NCA.

11.5 Appeals

Decisions pursuant to these guidelines may be appealed to the Norwegian Coastal Administration (cf. Section 28 of the Norwegian Public Administration Act) within three weeks after the decision is received. Appellants are entitled to review the documents pertaining to the decision (cf. Sections 18 and 19 of the Norwegian Public Administration Act). If the NCA maintains a rejection, the appeal will be forwarded to the Norwegian Ministry of Transport and Communications.

12. Priority

Within the framework of the funds available, projects, which complete the general application criteria, will initially be ranked according to the project’s utility value per NOK, then according to the utility value.

13. Follow-up and control

Grant recipients must submit a summary report at the end of each period. The NCA’s online report form must be applied when reporting.

The report must state the freight volumes shifted off road during the period, the project’s sailing pattern and must include a financial statement for the relevant period. An audit certificate from an independent auditor or accountant is mandatory.

Grant recipients are obligated to explain variations between the activities presented in the business plan and actual performance, i.e. lower freight volumes. Grant recipients must explain, in case of substantial negative variations, how the project will get on track. If the project’s probability to become commercially viable after the grant period ceases, further grant payments will terminate.

The NCA is authorised to oversee projects and implement controls to ensure that the scheme
funds are used in compliance with the requirements of the Norwegian Appropriation Regulations, cf. section 10.

The Office of the Auditor General of Norway is authorised to access and conduct analyses at any given time to ensure that the funds are used in compliance with the requirements set forth in the Norwegian Act no. 21 of 7 May 2004 Act, cf. section 12, and Instructions relating to the Office of the Auditor General.

14. Sanctions

A grant recipient, or someone acting on his/her behalf, who provides incomplete or incorrect information, resulting in an unwarranted grant payment, may be subject to a reimbursement claim either in part or full. An interest rate can be added to the claim pursuant to the Norwegian Act no. 100 of 17 December 1976 Relating to Interest rates on Overdue Payments.

15. Evaluation

The NCA is responsible for planning and conducting an evaluation of this scheme. The evaluation will provide useful information on the scheme’s performance in terms of the scheme objectives, organisation, the state’s use of financial resources and social benefits. Grant recipients are expected to contribute with relevant information.