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The EU State Aid Framework: Achieving Better Results with Less Complexity

Position Paper of the Local Authorities of Bavaria and Baden-Württemberg

A consistent simplification of EU state aid law is a key factor in strengthening Europe's competitiveness. For this reason, local authorities do welcome the European Commission's efforts to improve the EU's competitiveness by amending existing EU state aid law, with the primary aim of reducing the administrative burden on stakeholders.

However, from the perspective of the local authorities of Bavaria and Baden-Württemberg¹, these efforts do not go far enough. We call on the Commission to further reduce restrictions under state aid law in the spirit of a "local [omnibus](#)" and to review all relevant state aid regulations, taking into account the realities on the ground in municipalities, cities, counties, and districts.

EU state aid law is highly complex, particularly regarding services of general economic interest (SGEI), an area of particular relevance to the local level. Given the multitude of regulations concerning de minimis, SGEI de minimis, the SGEI Framework, the SGEI Exemption Decision, the General Block Exemption Regulation (GBER), and the corresponding communications and guidelines, as well as European case law, it is virtually impossible to ensure legally compliant application on the local level. Particularly in the area of SGEI, it is difficult to understand why the bureaucratic burden and the associated costs are necessary in this sector, which is of little interest to economic competition.

The current GBER is an example of how overly complex regulations intended to provide Member States with meaningful exceptions and flexibility in the area of state aid are in fact only rarely applied and thus largely fail to serve their purpose. Due to its scope and numerous special and exceptional provisions, it does not provide a practical basis for assessing state aid without the involvement of specialised legal experts and therefore urgently requires simplification. The Commission's goal to reduce the bureaucratic burden on businesses and Member States and to facilitate necessary support for businesses as part of the revision of the GBER, is therefore expressly welcomed.

¹ Bayerischer Gemeindetag, Bayerischer Städtetag, Bayerischer Landkreistag, Bayerischer Bezirkstag; Gemeindetag Baden-Württemberg, Städtetag Baden-Württemberg, Landkreistag Baden-Württemberg

The introduction of a de minimis register with a reporting obligation for all aid amounts—irrespective of their size—creates a disproportionate administrative burden, particularly for local authorities that grant little or no de minimis aid but would nevertheless be required to record such measures within very short timeframes. This is difficult to justify, especially given that de minimis thresholds are designed to ensure that aid below a certain level is deemed not to distort competition and therefore does not qualify as state aid in the strict sense. State aid schemes should be designed in such a way that they can be implemented without the involvement of highly specialized law firms.

On behalf of the local authorities of Bavaria and Baden-Württemberg and their members, we therefore ask the Commission to take the following aspects into account when considering state aid law as a whole and the intended reform of the GBER in particular:

General Demands Regarding EU State Aid Law

- **Creation of a general exemption for local measures (Art. 107(2) & (3) of the Treaty on the Functioning of the European Union (TFEU)):** Municipal measures, particularly those related to public services and projects with a specific municipal focus, should be explicitly excluded from the scope of EU state aid law. Local authorities play a special role in many respects. Through local self-governance, they organise the common welfare of local citizens within the framework of municipal public services and fulfil, among other things, the tasks assigned to them by the federal and the regional level. To do so, they must be able to invest in a legally secure, swift, and flexible manner. State aid acts as a booster for local investments by serving as seed funding. However, subjecting local public services to EU state aid law means that local authorities cannot take advantage of funding programmes simply because they have already exhausted existing value limits. As a result, meaningful investments for the benefit of citizens are not initiated and must be postponed for years. To resolve this unsatisfactory situation, we call for local measures within the scope of public services and for projects with a specific local focus to be generally exempted from the scope of EU state aid law.
- **Raising the thresholds:** We advocate raising the thresholds in the state aid regulations relevant to local authorities to at least €600,000 (de minimis) and €1.5 million (SGEI de minimis), in order to account for rising costs and inflation. The increase in thresholds effective 1 January 2024, to €300,000 (De minimis Regulation) and €750,000 (SGEI de minimis Regulation) over a three-year period falls far short of local level demands. The raised thresholds do not provide local authorities with the necessary scope for action and fail to reflect local realities. Furthermore, to avoid unnecessary administrative burdens, it appears appropriate to exempt micro-grants of less than €10,000 from any formal requirements, as the administrative burden involved is disproportionate and any distortion of competition at such low levels appears unlikely.

- **Retaining flexibility in decision-making where there is no relevance to the internal market:**

In 2015, the European Commission departed from its previous practice and has since put a stronger focus on the fact that many matters of local relevance are characterised by their local scope, a locally-based user base and a lack of cross-border demand. Due to their purely or predominantly local nature, such measures lack the necessary relevance to the internal market, meaning that, factually, no state aid is involved. This approach by the Commission should be expressly maintained, as the consistent continuation of this administrative practice strengthens local self-government, reduces unnecessary administrative burdens under state aid law and ensures the appropriate, realistic application of state aid law.

- **Reducing bureaucratic monitoring and transparency requirements:** We call for the simplification of EU law and the removal of bureaucratic requirements in order to reduce unnecessary administrative burdens. This includes, amongst other things, the obligation, effective from 1 January 2026, for (local) authorities granting aid to notify de minimis aid electronically within 20 working days after approval to an EU-wide register (see Art. 6 (1) and (2) of the De Minimis Regulation). Instead, the well-established administrative practice to date (de minimis declarations by companies and the issuance of de minimis certificates to companies) should continue. In this context, it should be noted that the general administrative burden is constantly increasing, partially due to monitoring requirements associated with managing funding activities. Furthermore, due to the complexity and the associated legal uncertainty, external consultancy firms must be engaged in many cases. These incur considerable costs. We therefore reject any further bureaucratic complications.

- **Further development of EU state aid law to sustainable support for affordable housing:** The recent amendments to the SGEI Exemption Decision (2025/2630) represent an important step towards administrative simplification and the expansion of funding opportunities for social and affordable housing. Nevertheless, state aid requirements remain – particularly regarding entrustment, overcompensation controls and earmarking periods – which impose a considerable administrative burden on local authority housing projects. Against this background, the existing regulations should be further developed to provide Member States, and in particular local authorities, with greater and legally secure scope for action in the long term when supporting public-interest and municipal housing projects.

Requests regarding the GBER

(References are to the Commission's [proposal](#) for a new GBER of 25 February 2026)

- **Simplification and reduction of bureaucracy (Art. 10(1) (c)):** We call for a significant simplification and streamlining of the GBER. In its current form, the GBER fails to fulfil its purpose of using block exemptions to make it easier for EU Member States, regions and local authorities to comply with state aid law. The GBER must be significantly leaner, simpler and less bureaucratic to apply, so that it is suitable for expanding local authorities' scope for action in practice and enabling them to make better use of it. Instead, the latest reform has further increased the administrative burden by now requiring individual aid grants of €100,000 to be published. We call for a return (at least) to the previous threshold of €500,000.
- **Systematic integration of EU structural funding into the GBER (Art. 17, 18, 19 and 81):** The areas covered by structural funding should be included in the GBER as being, in principle, compatible with state aid. We welcome the fact that the GBER has already been supplemented with exemptions for certain aid measures linked to the EU funding programmes InvestEU, Horizon Europe and European Territorial Cooperation (Interreg). Furthermore, under Art. 16 of the current GBER, exemptions from the notification requirement already apply to regional urban development aid, provided it is co-financed by the European Structural and Investment Funds. However, it is difficult to explain to applicants that only certain measures are per se relevant to state aid, whilst such relevance does not apply to certain, mostly directly managed EU programmes such as Horizon Europe. EU structural funding and the associated grant funds or programmes must therefore be integrated into the GBER as fundamentally compatible with state aid. This applies in particular to the following funds: ERDF (European Regional Development Fund), ESF+ (European Social Fund Plus) and AMIF (Asylum, Migration and Integration Fund). Consequently, there should then be a presumption of state aid compliance if these funds are consistent with the approved operational programmes or the National and Regional Partnership Plans. The unequal treatment of EU Structural Funds under state aid law is unjustified, increases the administrative burden and hinders synergies between the funds.
- **Equal treatment of sports facilities and multifunctional leisure facilities (Art. 77) with local infrastructures (Art. 78) in relation to operating aid:** Local authorities are responsible for ensuring that multifunctional facilities and local facilities can be operated and used at socially acceptable prices. Whilst the granting of operating aids for sports facilities is permitted up to the specified threshold, this option does not exist for multifunctional leisure facilities (Art. 77) and local facilities (Art. 78). There appears to be no objective justification for the unequal treatment of sports

infrastructure and multifunctional leisure infrastructure or local infrastructure, particularly as the distinction between these types of use is often difficult to draw. Multifunctional leisure and sports facilities are closely linked in terms of function, serve comparable user groups and are often operated in shared facilities (e. g. combined sports, cultural and leisure centres such as a community centre with a sports hall). Furthermore, practice shows that purely investment-based aid is often insufficient to ensure a socially acceptable service over the entire lifecycle of such infrastructure. Instead, complex cross-subsidisation and loss-absorption models are sometimes chosen, which are difficult to classify under state aid law and give rise to legal uncertainties. A uniform framework for operating aid would simplify legally certain application for local authorities. An explicit opening of Art. 77(2) to cover operating aid for multifunctional leisure facilities and local infrastructure, with clear thresholds and assessment criteria, would create transparency, reduce the administrative effort of verification and contribute to simplified application for local authorities, without increasing the level of competition beyond the already approved eligible costs.

- **Extension of the scope of Art. 78:** The term 'local infrastructure' is not legally defined in the GBER. We therefore call for local urban development projects falling outside the scope of Art. 17 of the GBER to be exempted from the notification requirement via Art. 78.
- **Amendment to Art. 58(3) (b) regarding the storage of renewable energy sources (investment and operating aid):** We call for investment and operating aid for renewable energy (RE) storage projects to be exempted from the notification requirement under Art. 108(3) TFEU. Storage facilities make a significant contribution to grid stability. Under the proposal for a new GBER, investment aid for electricity and heat storage is now to be explicitly covered by the exemption. However, according to the Regulation, a separate exemption for operating aid for storage projects would still not be included. Precisely in view of the existing shortcomings, solutions must be developed to drive forward the expansion and operation of RE plants without jeopardising grid stability. As infrastructure that supports the system and stabilises the grid, storage facilities provide an indispensable complement to a centralised-decentralised energy supply.

The European offices of the local authorities of Bavaria and Baden-Württemberg remain available for any further questions.