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Position Paper

SGI Europe response to the public consultation on State Aid Rules for Services of General Economic Interest (SGEI) with a focus on affordable housing

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The European Commission's decision to revise the State aid rules for Services of General Economic Interest (SGEI) represents an important opportunity to modernise the framework in line with today's social and economic challenges, while ensuring a level playing field and safeguarding the integrity of the Single Market. It is also a chance to reposition State aid as a strategic tool for maintaining and enhancing the EU's competitiveness and cohesion, and to align it with broader EU economic and strategic objectives.

As the cross-sectoral social partner representing public and private providers of Services of General Interest across Europe, SGI Europe supports the Commission's objective to provide clearer and more proportionate rules that address current challenges, including but not limited to housing. The revision should look at the whole SGEI architecture and go further in recognising SGEI as a strategic policy lever, not merely a corrective tool for market failures. It should ensure that Member States and local authorities can continue delivering high-quality, affordable, and accessible services to citizens, while removing unnecessary administrative burdens and allowing flexibility to account for diverse national, regional and local realities.

SGEI play a central role in delivering social cohesion, competitiveness, and sustainability. The current revision of the SGEI Decision must be seen as part of a broader strategy to enable investment in services of general interest that support Europe's strategic goals. Additionally, State aid rules should be designed not only to prevent distortions of competition, but also to empower public investment in areas where market forces alone are insufficient.

Horizontal elements of the framework

The draft Decision makes welcome progress in adapting the SGEI framework to current realities. It introduces useful clarifications, simplifies the administrative process, and strengthens the overall consistency of State aid rules with social and economic objectives.

Nevertheless, SGI Europe encourages the Commission to ensure that the final Decision remains coherent with the broader SGEI architecture, including the SGEI Framework and the *de minimis* Regulation, to avoid fragmentation or inconsistencies between different instruments. Above all, this revision should reaffirm that SGEI are not residual interventions resulting from market failures, but structural contributors to Europe's competitiveness, resilience, and social model. By enabling quality investment, including in housing, the SGEI framework contributes directly to the twin transition, strategic autonomy, and the strengthening of the EU social model.

SGI Europe also encourages the Commission to use the SGEI framework as a model of balanced policymaking, in which competition policy supports – rather than constrains – the European model of modern services of general interest.

Simplification and proportionality

SGI Europe supports the Commission's ongoing efforts to streamline procedures and reduce administrative burdens. In particular, the elimination of the requirement to cite the SGEI Decision in each entrustment act when the rest of the compatibility conditions are met is highly welcome. This measure will increase efficiency and eliminate unnecessary legal formalism.

At the same time, reporting and monitoring obligations should be meaningful and proportionate. Excessive administrative requirements would divert resources from quality service delivery, therefore running counter to the interests of citizens across the EU. In this light we welcome the mechanism set out in Article 7(3) which exempts Member States from calculating *ex post* compensation when providers are obliged to reinvest all profits into the provision of the SGEI. We propose that the exemption should apply where the provider is legally required to reinvest all revenues into the SGEI and does not earn any substantial income from non-SGEI activities. This clarification would ease unnecessary administrative tasks, such as monitoring and allocating minor revenue streams.

Thresholds and scope

Raising the general compensation threshold is an appropriate and overdue measure. It will help reduce the number of notifications and correctly reflect the inflation trends since the adoption of the former SGEI Decision. To ensure the lasting effect of this change, the thresholds should be periodically adjusted for inflation in the future. State aid granting authorities cannot wait until the SGEI Decision is revised again when changes in the average price of goods and services have a direct impact on the real value of granted aid amounts.

SGI Europe also encourages the Commission to ensure that public SMEs are not unfairly excluded from access to State aid or exempted mechanisms, given their essential role in guaranteeing a public service mission and access to modern SGIs.

Subsidiarity and diversity of models

The revised rules must preserve the subsidiarity principle and respect the diversity of SGEI models across Member States. The new rules should ensure sufficient flexibility for Member States to accommodate their different national and regional realities, while still protecting the integrity of the Single Market. Overly prescriptive criteria at EU level could undermine this flexibility and risk excluding well-functioning national systems.

Specific remarks on housing-related provisions

The affordability and accessibility of housing have become some of the biggest challenges in Europe, and they have a direct impact on our competitiveness, cohesion and social inequalities within the EU. The new rules on affordable housing reflect the growing need to address structural housing shortages and to support middle-income households in some Member States. However, several aspects of the draft Decision merit further clarification or adjustment. The new rules should not undermine well-established and effective housing models already in place in Member States.

Definitions and rules for affordable housing should not be overly prescriptive, leaving sufficient room for national interpretation based on local and regional contexts. Social and affordable housing do not constitute a homogenous category across the EU. They are shaped by national rules and realities, in line with the principle of subsidiarity. A harmonised, rigid market-based definition at EU-level would neither be practical nor legally feasible. Furthermore, the introduction of new rules for affordable housing should avoid any negative impact on the social housing segment. In any case, aid for affordable housing should remain an instrument that Member States may voluntarily use according to their needs but are not obliged to, all while ensuring that the discretion of Member States to define SGEIs and determine their scope remains a priority.

It must also be noted that State aid is only one of several tools available to boost investment in social and affordable housing. Therefore, the new framework must be aligned with broader EU initiatives, including the forthcoming European Affordable Housing Plan, the upcoming Anti-Poverty Strategy, the Cohesion Policy and the financial instruments available through the European Investment Bank. Ensuring consistency between these instruments will be essential to deliver impact at both local and regional levels. In this context, the European Commission must be ready to work with national, regional and local governments, as well as housing providers and all other relevant actors, to support them in their efforts to make affordable, sustainable, and decent homes available to all EU citizens.

Duration of the entrustment

While it is positive that the draft new rules recognise the fact that the period of entrustment for social and affordable housing must be longer than the ten-year period set for other sectors, acknowledging that investments in social and affordable housing are typically amortised during longer periods of time, we believe that setting a fixed period is not the right approach for all Member States.

Setting a twenty-year minimum maintenance period during which dwellings must remain available for social or affordable housing purposes may not be suitable for all schemes, including temporary housing projects. Further flexibility is therefore needed, allowing Member States to adapt to their national realities, financing structures and the nature of the projects, while still maintaining safeguards against speculative use. As the intention of this period is to combat speculation, it should not apply where the provider is legally obliged to reinvest all revenues into that SGEI and profit distribution is excluded.

Monitoring and eligibility

The proposed requirement for regular verification of beneficiaries' eligibility risks creating excessive administrative burdens and is unrealistic. SGI Europe supports verification at the beginning of the contractual relationship, with subsequent checks only in case of substantiated misuse (e.g. conversion to short-term rentals). This ensures proportionality and legal certainty. Member States should also have the freedom to determine how this monitoring is organised.

Furthermore, eligibility criteria should remain within the competence of Member States and local authorities, in line with the principle of subsidiarity. Local flexibility is key to preserving social mix and preventing segregation.

Quality standards, affordability indicators and designation of providers

SGI Europe supports ensuring decent quality standards, but stresses that these should be anchored in national legislation and be enforced by Member States. Additionally, requirements to continuously verify compliance with evolving standards would be impractical and counterproductive. Instead of imposing regular checks, verification should occur only when the building is constructed or undergoes a major renovation.

The Decision should also clarify that affordability indicators are illustrative, not mandatory, to allow national and regional frameworks to define appropriate criteria without creating an overly complex system. SGI Europe also calls for a careful definition of “housing costs”, which should capture the full economic burden on households. At the same time, considering the variation in energy costs as part of the total housing costs may be difficult and overburdening for housing providers.

Finally, concerning affordable housing, it should be recognised that it may not be open to all providers able to deliver the service. The decision on which entities are entrusted with this public service should remain within the competence of Member States, allowing them to designate providers in line with their national housing systems and social objectives.

Requirements for social housing

Regarding social housing requirements, we consider that the reference to access being provided below market price is not adequate. In practice, public authorities are responsible for determining the pricing, which is not based on the market dynamics, but on aspects such as the actual cost of the public service obligation or the solvency or income level of the beneficiaries.

With regard to compensation for social housing SGEI, we believe that the general provisions laid down in Article 5 should apply. There should be no additional or more restrictive conditions introduced through the rules contained in the annex, as this could create unnecessary complexity and limit flexibility in the implementation of social housing policies across Member States, imposing restrictions that do not exist for other SGEI aside from housing.

Mixed SGEIs

SGI Europe welcomes the explicit recognition of mixed SGEI schemes combining social and affordable housing. Mixed schemes can promote social cohesion and inclusive neighbourhoods, provided that clear proportionality rules are established in the entrustment acts. Nevertheless, the rules set in the draft annex are not appropriate: they lack clarity and raise practical questions, such as how calculations will be made to determine whether the majority of dwellings in a project are intended for social or affordable housing.

Additionally, when there is an entrustment of a mixed SGEI, it is important to avoid cross-subsidisation between the social and affordable housing segments to make sure that the focus is not shifted away from social housing. The possibility of entrusting mixed SGEI should not result in providers drifting away from social housing in favour of affordable housing due to more resources and less restrictive rules.

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Position

Conclusion

SGI Europe calls on the European Commission to adopt a final SGEI Decision that is ambitious, clear, and enabling. In particular, SGI Europe recommends the Commission to:

1. **Reaffirm the strategic role of SGEI** as instruments for competitiveness, social progress, and the green and digital transitions.
2. **Safeguard the coherence of the SGEI framework**, by ensuring alignment between the Decision, Framework, and *de minimis* Regulation.
3. **Embed the revised Decision within a broader EU agenda**, linking State aid rules with EU policies that foster social and territorial cohesion.
4. **Preserve subsidiarity and flexibility**, allowing Member States and local authorities to define target groups, entrustment duration, and eligibility criteria in line with local realities.
5. **Ensure proportionality and simplification** by streamlining reporting obligations, removing unnecessary formalities, and maintaining trust in public authorities.

By adopting a balanced and forward-looking Decision, the European Commission can ensure that SGEI continue to serve as engines of inclusive growth and development across Europe.