

The European Commission has approved guarantees by Sweden's government on loans to Volvo for developing environmentally friendly cars.



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The European Commission has authorized Sweden's plans to provide guarantees that would enable Volvo Cars to access loans from the European Investment Bank (EIB). The loans would co-finance the development of environment-friendly cars.

"The state guarantees would contribute to Volvo's investment project for environmental-friendly cars without giving rise to any undue distortions of competition", said Competition Commissioner Neelie Kroes in a statement.

Volvo, based in southwest Sweden and owned by American Ford, is planning to use the loans of €500 million from the EIB for its €1.9 billion-project to develop emission reductions and energy efficiency in cars.

The loans and the corresponding guarantees would be provided in five tranches over the years 2009-2010 with a maturity of seven years.

In March the European Investment Bank granted 3.0 billion euros in loans to a number of European carmakers, including to Volvo Cars. But talks with the the Swedish government over state guarantees broke down. The government said it wanted the question about Volvo's ownership settled first.

EU gives green light for Volvo's green cars

Written by Johan Nylander

Friday, 05 June 2009 11:37 - Last Updated Friday, 05 June 2009 13:10

Swedish government says it is happy with the Commissions decision, but are still awaiting clarity from Ford.

“During the last few weeks, the government has held an intense dialoged with the EU Commission about getting the guarantees approved”, said Maud Olofsson, Sweden's Minister for Enterprise, in a statement. "Volvo Cars' owner, Ford, has at the same time said that they are ready to come back to the government when the question about ownership is getting clearer”.