



Rt. Hon. Jacob Rees-Mogg M.P.
Secretary of State for Business, Energy and Industrial Strategy
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Darren Jones Esq., M.P.
Chairman of the Business, Energy and Industrial Strategy Committee
House of Commons
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Dear Darren,

As Chairman of the BEIS Committee I am writing to inform you of developments in the new subsidy control regime. This letter will be sent to all members of the committee and to members of the Subsidy Control Public Bill Committees in both Houses.

I am pleased to inform you that I intend to lay before Parliament a draft of the Subsidy Control (Subsidies and Schemes of Interest and of Particular Interest) Regulations 2022.

These regulations, should Parliament approve them, will have the effect of implementing a key part of the Subsidy Control Act 2022, which completed its passage through Parliament in April of this year. My intention is that the Act will come fully into force on 4th January 2023, and I will make a written ministerial statement to this effect.

The Act provides the framework for a new, United Kingdom-wide subsidy control regime. This regime will enable public authorities, including devolved administrations and local authorities, to deliver subsidies that are tailored and bespoke for local needs to deliver key government priorities such as Net Zero and Levelling Up. The written ministerial statement I will lay will include further details on the new regime.

The new subsidy control regime will identify subsidies and schemes that have greater potential to lead to negative effects on domestic competition and investment and/or international trade and investment. The government recognises that these subsidies and schemes should be subject to a more in-depth, but still proportionate, assessment by the public authority before they are given. In some cases, they will be referred to the new Subsidy Advice Unit (SAU) within the Competition and Markets Authority for additional scrutiny and review of the public authority's assessment.

The draft regulations I will shortly lay before Parliament establish the kinds of subsidies that may or must be subject to SAU review before they can be given by public authorities. My department consulted on a proposed set of regulations earlier this year, and respondents broadly welcomed the policy approach the government is taking.

These regulations demonstrate the government's commitment to a subsidy control regime that will function on a transparent and easily understandable basis, and which has been developed through public consultation.

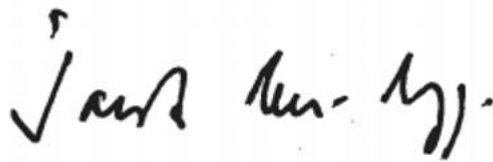
Three other sets of regulations to be laid before Parliament this autumn will address other specific technical matters necessary for the subsidy control regime to operate effectively, including by: making minor changes to the Competition & Market Authority's information gathering powers when they are used in the context of its statutory subsidy control functions; setting out the information public authorities will need to upload onto our publicly available subsidy database, and setting out a methodology for public authorities to calculate the value of subsidies made by means other than cash.

This government recognises the utility of well-designed subsidies in achieving key social or economic objectives. It is equally important that subsidies that are more likely to unduly distort markets are subject to a proportionately higher level of independent scrutiny, to ensure that public money is spent in the most efficient way possible. This is what these regulations, and the regime the government has built, will achieve.

I wish to thank all members of the Public Bill Committee of each House for their contributions on important matters of policy. My officials have endeavoured to reflect these concerns in regulations and in the guidance for public authorities. I trust that Parliamentary debates on the role of subsidies in the UK's economic and social policies will continue following the implementation of the new regime, and will bear useful fruit in the years to come.

Please do not hesitate to contact me if you have any further questions. I would be happy to discuss or to arrange a briefing with my officials.

Yours sincerely,

A handwritten signature in black ink, appearing to read "James Claverhouse". The signature is written in a cursive, slightly stylized font. It is centered on a light blue horizontal line that spans the width of the page. The background of the page is white.