



Department for International Trade

Baroness Fairhead

Department for International Trade
King Charles Street
Whitehall
London
SW1A 2AH

T +44 (0) 20 7215 5000

E fairhead.correspondence@trade.gov.uk

W www.gov.uk

The Lord Purvis of Tweed
House of Lords
London
SW1A 0PW

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Dear Lord Purvis of Tweed,

29th January 2019

STATE AID AND THE DEVOLVED ADMINISTRATIONS

During the debate of Amendment 16 to the Trade Bill on 23 January 2019, you asked whether there has been agreement with the devolved administrations that state aid is a fully reserved issue. I am grateful for the opportunity to update you on the Government's position and discussions with the devolved administrations on state aid.

The Government previously indicated in the *Frameworks Analysis: Breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland* that we consider that the regulation of state aid is a reserved matter. This position was reinforced within the *Intergovernmental Agreement on the European Union (Withdrawal) Bill and the Establishment of Common Frameworks*. The Government maintains this view.


Furthermore, as Lord Bates noted during the Trade Bill debate, the Government has now laid the draft State Aid (EU Exit) Regulations 2019 under powers in the Withdrawal Act 2018. The overall effect of these Regulations is to transpose the EU state aid regime as set out in Articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU) into UK law and give the Competition and Markets Authority (CMA) the function of regulating the regime in place of the European Commission. I am sure that the House will look forward to debating these provisions in due course.

After the UK leaves the EU, establishing a UK-wide state aid regime will ensure continuity and certainty for aid givers and beneficiaries, and help maintain fair and open competition throughout the UK.

The Government has engaged extensively with the devolved administrations on the proposed state aid regime and there is broad agreement on the substance of the Government's policy. We hope these discussions continue so we can conclude a Memorandum of Understanding with each of the devolved administrations about how important aspects of the new regime will operate.

The Government remains committed to working closely with the devolved administrations to ensure the new state aid regime works for the whole of the UK.

I am copying this letter to Lord Stevenson of Balmacara and the Rt Hon Lord Henley, Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy. I am placing a copy of this letter in the libraries of both Houses.

A handwritten signature in blue ink, appearing to read 'Baroness Fairhead', written in a cursive style.

Baroness Fairhead

Minister of State for Trade and Export Promotion
Department for International Trade