



Department for
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Lord Callanan

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Lord Fox
House of Lords
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Dear Lord Fox,

United Kingdom Internal Market Bill – House of Lords Committee Stage

Thank you again for your contributions to last Monday's Committee Stage debate on the UK Internal Market Bill. I am writing to address your questions on the relationship between State aid, Common Frameworks and the UK's approach to subsidy control after the end of the Transition Period.

State aid policy is not included in the Common Frameworks programme. The Government has always been clear that the regulation of State aid – the EU's approach to subsidy control - is a reserved matter. However, we continue to engage constructively with Devolved Administrations on issues relating to State aid, whilst we are still subject to the EU rules, and going forward on our approach to subsidy control from the 1st January 2021.

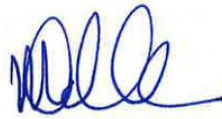
Now we have left the EU we have an opportunity to develop a new approach to subsidy control which works for the UK economy. We want a modern system for supporting British business in a way that fulfils our interests. In September, the Government announced that from the 1st January the UK will follow World Trade Organisation rules on subsidies and any other international commitments the Government has agreed in Free Trade Agreements. We will consult in the coming months on whether to go further than those existing commitments, including whether legislation is necessary.

The reservation of subsidy control will ensure that the Government can legislate for a single, unified system should it choose to do so. This reservation does not change the Devolved Administrations' position in practice; they will continue to make their own spending decisions on subsidies. As I mentioned in the debate on Monday, this spending comes from their existing block grants. Previously, the Devolved Administrations had to ensure that any devolved spending on subsidies was compliant with EU State aid rules. From the 1st January Devolved Administrations will continue

to make their own spending decisions as before, and will need to ensure they are compliant with World Trade Organisation and other international commitments on subsidies, and any future UK-wide subsidy control regime.

Regarding your question on whether de minimis levels without notification would continue, this is a reference to an aspect of the EU's State aid rules. These rules will no longer apply to the UK from the 1st January, except in the limited circumstances set out by Northern Ireland Protocol (affecting trade in goods and wholesale electricity).

I hope this letter clarifies your questions, and I would like to thank you again for your contribution in the debate. A copy of this letter will be placed in the Library.



Lord Callanan