

THE SUBSIDY CONTROL PRINCIPLES

Common interest

- A Subsidies should pursue a specific policy objective in order to—
 - (a) remedy an identified market failure, or
 - (b) address an equity rationale (such as social difficulties or distributional concerns).

Proportionate and necessary

- B Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it.

Design to change economic behaviour of beneficiary

- C (1) Subsidies should be designed to bring about a change of economic behaviour of the beneficiary.
 - (2) That change, in relation to a subsidy, should be—
 - (a) conducive to achieving its specific policy objective, and
 - (b) something that would not happen without the subsidy.

Costs that would be funded anyway

- D Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.

Least distortive means of achieving policy objective

- E Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.

Competition and investment within the United Kingdom

- F Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.

Beneficial effects to outweigh negative effects

- G Subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on—
 - (a) competition or investment within the United Kingdom;
 - (b) international trade or investment.