



UK subsidy control in practice: lessons from the first three years



KPMG LLP

Contents

Key takeaways	2
1 Introduction and context	3
2 Subsidy control regime: an overview	4
3 Analysis of subsidy awards	8
4 Meta evaluation of DESNZ subsidy assessments	13
5 Implications	19
A Subsidy database analysis: methodology	20
B SAU reports reviewed	21

Key takeaways

Three years after the commencement of the Subsidy Control Act 2022, the experience of the UK's domestic subsidy control framework is beginning to reveal lessons about how the regime operates in practice.

This report combines three perspectives on the regime: findings from the CMA's first statutory review published in June 2026; trends emerging from the DBT's subsidy database; and a meta-evaluation of SAU scrutiny of DESNZ subsidy assessments. Together, these analyses provide insight into where public funding is being deployed, how the regime is evolving relative to the former EU State Aid framework, and the factors that are most likely to determine whether a subsidy assessment meets the subsidy control principles.

Key takeaways from this report include:

- **Competition analysis is emerging as the key area of scrutiny.** Based on our analysis of DESNZ subsidy assessments that have been reviewed by the CMA, the issue highlighted most frequently by the CMA is deficiencies in the competition analysis. The strongest assessments are those that clearly define affected markets, explain likely competitive effects and support conclusions with evidence rather than broad assertions.
- **Robust analysis is critical.** A recurring theme across SAU reviews is that authorities must not only reach reasonable conclusions but demonstrate how those conclusions have been reached through robust analysis and clearly articulated reasoning. As the body of case law and SAU practice develops, authorities and beneficiaries will face growing expectations around the evidence supporting market failures, counterfactuals, proportionality and competition effects.
- **The regime is broadly functioning as intended, but remains at an early stage of development.** The CMA's review identifies a framework that is operational and increasingly embedded in decision-making, while recognising that it is too early to draw firm conclusions on many of its economic impacts.
- **Subsidy awards are highly concentrated.** While most awards are relatively small, a small number of very large subsidies account for a disproportionate share of total value, e.g. the £50.3 billion awarded to Sizewell C, which alone represents 23% of all subsidies we analysed in the 2023-26 period. Energy-related subsidies dominate overall spending, with DESNZ emerging as the largest awarding authority.
- **The UK regime is not simply the EU State Aid framework under a different name.** Early CAT judgments suggest a framework that draws on some established State Aid concepts while giving greater weight to policy objectives, self-assessment and principles-based decision-making.

1 Introduction and context

Three years after the UK's Subsidy Control Act 2022 (SCA) came into force, the Competition and Markets Authority (CMA) has now published its first statutory review of the regime, covering the period from commencement through to 31 March 2026.¹ This review, required under the legislation, assesses how effectively the framework has operated in practice and its impact on competition and investment in the UK.

The review was undertaken by the CMA's Subsidy Advice Unit (SAU) and takes a broad and wide ranging view of how the regime is operating. It examines the design and functioning of key features such as the subsidy control principles and statutory guidance, the operation of referral mechanisms (including thresholds for referrals to the SAU), and the role of the SAU itself. It also considers the practical experience of public authorities in identifying and assessing subsidies, the use of streamlined routes, and the effectiveness of transparency and enforcement arrangements. More broadly, the review analyses patterns in subsidy awards and schemes, alongside their distribution across sectors and regions, and evaluates the regime's overall impact on competition and investment outcomes.

Building on the CMA's review, in this report we explore trends in the subsidy control regime in the period since the SCA came into force, to offer additional insights to those set out in the CMA's review:

- First, we set out an **overview of the SCA regime**. Whilst the SCA was intended to establish a subsidy control regime in place of the previous EU State Aid framework, there are some fundamental differences in the practicalities and application, which are set out in Section 2.1.
- Next, we **analyse the trends in subsidy awards**. This offers alternative perspectives in the way in which subsidies awards are distributed to complement the CMA's assessment.
- We then undertake a **meta-evaluation** of the SAU's reports on subsidy assessments carried out by the Department for Energy Security and Net Zero (DESNZ), as DESNZ is the largest awarder of subsidies to date. This provides an evidence-led perspective on how the regime operates from an analytical point of view and the types of issues most likely to attract scrutiny.
- Finally, we set out the **implications of the analysis**. The emerging patterns in subsidy awards and SAU assessments offer valuable insight into how the framework is evolving, and where risks and opportunities are most likely to arise.

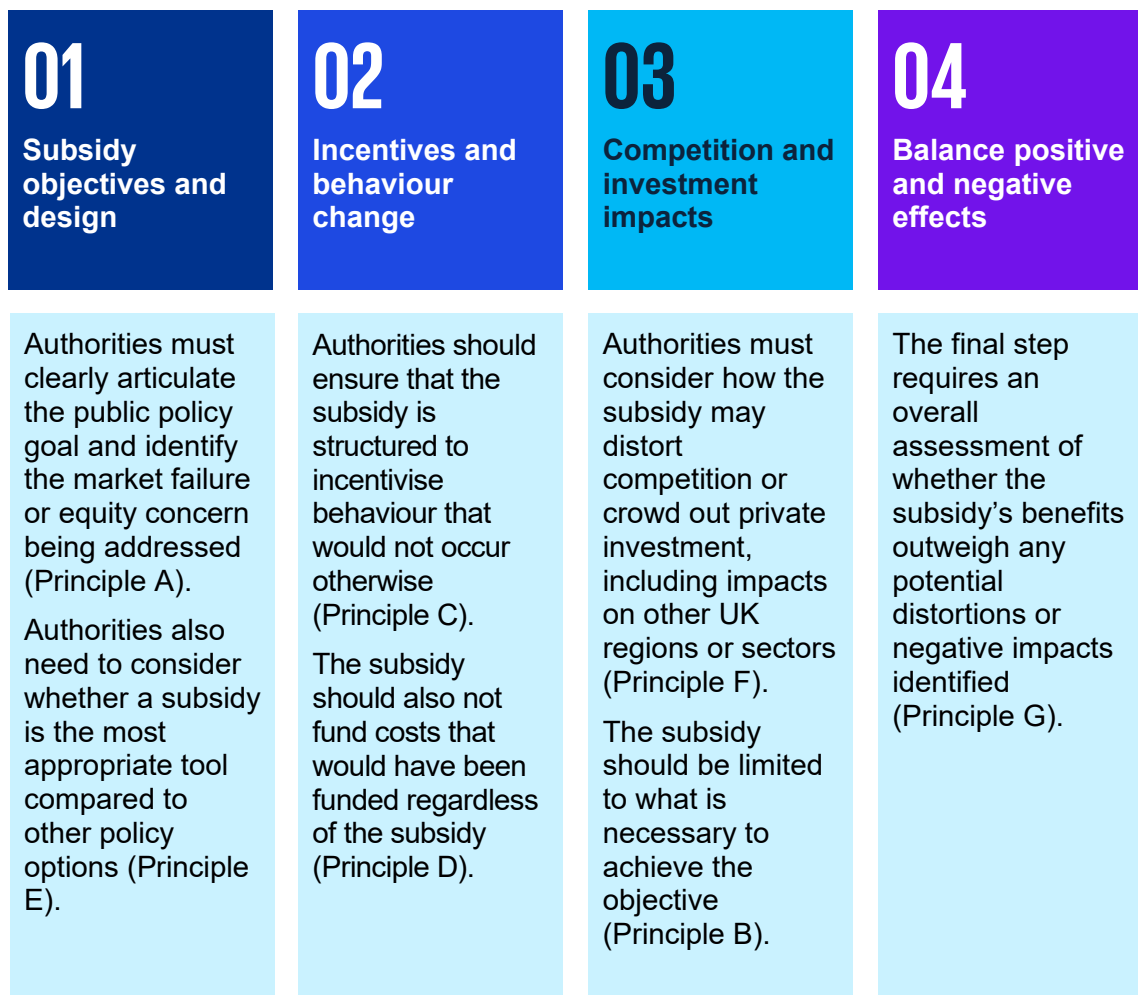
¹ CMA (2026), [The effectiveness of the Subsidy Control Act 2022 and its impact on competition and investment in the UK](#)

2 Subsidy control regime: an overview

The central question under the SCA is whether a public authority can demonstrate that a proposed subsidy is justified. The regime therefore requires authorities to undertake a structured assessment of the rationale for intervention, the design of the subsidy, its effects on competition and investment, and the overall balance of benefits and harms.

The starting point is the four-limbed test, which determines whether a measure constitutes a subsidy and therefore falls within the scope of the SCA. This test acts as a gateway, ensuring that only qualifying measures are subject to further assessment.

Where a measure meets these criteria of the four-limbed test, it must be assessed against the seven subsidy control principles (A–G), which require a clear policy rationale, proportionate design, and careful consideration of competitive effects. In practice, this is implemented through a structured four-step assessment:



The regime draws a distinction between subsidy schemes and individual subsidies, with schemes providing a framework for multiple awards and individual subsidies assessed on a case-by-case basis. Certain higher-risk subsidies must be referred to the SAU for review, while others may be referred voluntarily or called in.

While the SCA replaces the EU State Aid regime in the UK, stakeholders responding to the CMA's review of the effectiveness of the SCA have identified uncertainty regarding the extent to which State Aid concepts continue to apply under the new regime. The CMA has similarly observed that uncertainty about the requirements of the regime appears to be contributing to a cautious approach by public authorities when assessing subsidy risks.² Further discussion of the CMA's findings is set out in Section 2.1.

One of the clearest differences between State Aid and the SCA is in the enforcement regime:

- Whilst oversight is provided by the SAU, responsibility for compliance remains with the awarding authority.
- The SAU's role is advisory, focusing on the robustness of the authority's assessment rather than providing formal approval.
- This contrasts with State Aid where State Aid must generally be notified to and approved by the European Commission before it is implemented, unless it falls within an exemption.
- The European Commission is the primary enforcement authority and has extensive investigative powers. It can require information, open formal investigations, declare aid unlawful, and order recovery of incompatible aid from beneficiaries.

Whether a subsidy is compliant under the SCA, is instead, assessed by the Competition Appeal Tribunal (CAT). There are some early indications from CAT cases that important elements of the SCA remain grounded in established State Aid principles. For example, the CAT expressly stated in the National Lottery case that the Commercial Market Operator (CMO) principle is intended to replicate the EU's Market Economy Operator Principle (MEOP).³

However, given that only a limited number of subsidy cases have been heard by the CAT to date, it remains too early to make a full assessment on the similarities and differences on how seemingly similar principles between the two regimes are interpreted.

2.1 Findings of the CMA's statutory review

The CMA's review provides a comprehensive assessment on how the UK subsidy control regime is operating in practice. While it reaches a broadly positive conclusion, the report is best understood as a "first stocktake" of a regime that is still bedding in, highlighting both areas of early success and several practical challenges that will shape its next phase of development. In particular, the review highlights that public authorities are broadly able to implement the principles-based framework in practice by relying on statutory guidance and, where relevant, benefit from SAU feedback through the referral process. At the same time, some additional guidance and practical support may be

² CMA (2026), [The effectiveness of the Subsidy Control Act 2022 and its impact on competition and investment in the UK](#), p.129

³ CAT (2025), [The New Lottery Company Ltd and Others v The Gambling Commission: Judgement](#), para 73

welcome especially in relation to specific principles, and the subsidy database has room for improvement.

What is working well

The CMA has concluded that, at a high level, the UK subsidy control regime is functioning as intended.⁴ Public authorities are broadly able to apply the framework, supported by statutory guidance, the Department for Business and Trade (DBT), devolved government teams, and the SAU itself. In particular, the CMA notes that the referral process to the SAU is operating effectively, with feedback indicating that SAU reports are practical and influential and often lead to refinements in both subsidy design and underlying assessments.⁵

Authorities report that statutory guidance plays an important role in improving both the quality of assessments and confidence in decision-making.⁶ This suggests that the principles-based framework is becoming embedded in practice.

The CMA has noted that the regime has demonstrated some flexibility, for example through adjustments to thresholds and the introduction of additional streamlined routes.⁷

The CMA has also observed that there are early indications, albeit limited, that subsidies are supporting investment that may not otherwise have occurred. At this stage, however, the evidence base remains too limited to draw firm conclusions on the regime's overall economic effects.⁸

Areas for improvements

Despite this broadly positive picture, the review identifies several areas where the regime could be strengthened:

Operationalising the framework in practice⁹

The CMA has found that public authorities continue to face challenges in translating the principles into robust, proportionate assessments. Difficulties are most acute in assessing competition and market impacts under Principle F and in undertaking the balancing exercise under Principle G. Both areas rely on judgement-based analysis and evidence that is often difficult to quantify. Authorities are also uncertain about the level of analysis required, particularly in the absence of benchmarks or worked examples. These challenges are more pronounced among smaller authorities with limited in-house expertise.

Further guidance and support – as discussed below – are likely to help address some of the issues identified.

⁴ CMA (2026), [The effectiveness of the Subsidy Control Act 2022 and its impact on competition and investment in the UK](#), para 1.5

⁵ Ibid, para 9.52

⁶ Ibid, p.55

⁷ Ibid, para 1.6

⁸ Ibid, para 1.10

⁹ Ibid, para 4.24

Guidance and practical support¹⁰

Whilst the CMA has found that statutory guidance is generally well regarded, stakeholders consistently call for greater clarity on areas of difficulty and a wider range of practical tools. These include checklists, worked examples and case studies.

The CMA has therefore suggested there is room for improvement in the support provided for public authorities. This may reflect a need to move from high-level principles towards more operational guidance, particularly for novel or complex subsidies.

Transparency and the subsidy database¹¹

The CMA identified transparency as a key weakness. The DBT's subsidy database in particular is seen as falling short in terms of usability, accuracy and completeness, limiting stakeholders' ability to monitor subsidies effectively. As explained by the CMA, this has implications for accountability and enforcement, especially given the short timeframe for bringing challenges.

The CMA has therefore noted that improvements in search functionality, data quality and the level of detail on subsidy purpose are likely to be critical.

Enforcement and barriers to challenge¹²

Stakeholders raise concerns that the enforcement framework may not yet be fully effective, pointing to the limited number of challenges brought before the CAT. Key barriers include costs, short limitation periods and legal uncertainty, particularly given the limited body of case law. Stakeholders also questioned whether the judicial review model provides sufficient scrutiny or whether additional mechanisms may be required to improve certainty.

However, as noted by the CMA, the limited level of litigation to date may reflect the early stage of the regime. Challenges may increase over time as stakeholders become more familiar with the framework and as case law develops.

¹⁰ Ibid p.55

¹¹ Ibid paras 10.35 - 10.36

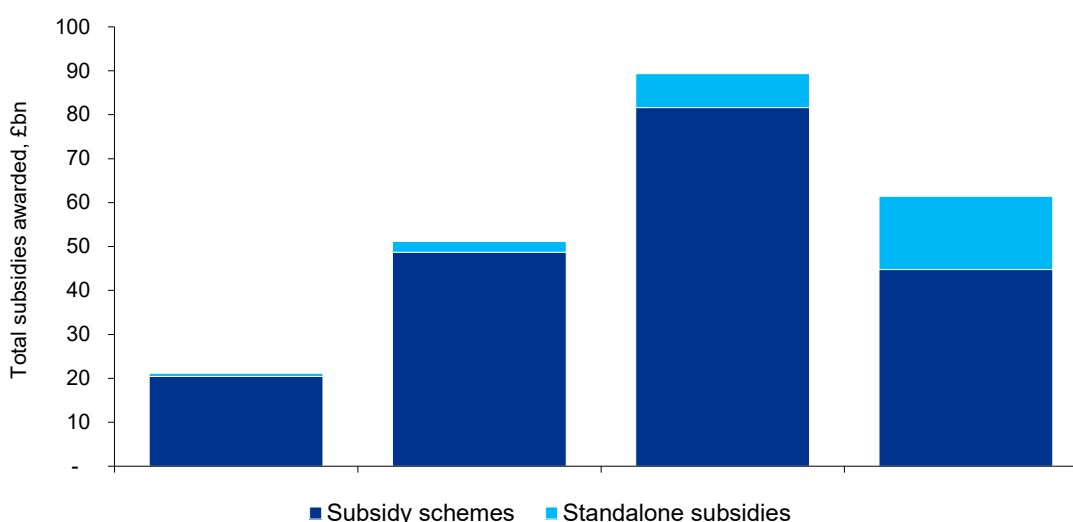
¹² Ibid p.129

3 Analysis of subsidy awards

To complement the CMA's statutory review, this section sets out an analysis of the subsidy database entries from 2023 to 2026¹³ to take a closer look at how subsidies have been awarded in practice. While the CMA's review provides a comprehensive assessment of the regime as a whole, we have additionally considered a more granular approach, e.g. by looking at the largest awarding authorities, isolating the largest individual awards in each region, and examining which sectors had the most subsidies awarded by local government authorities specifically.¹⁴

Since the introduction of the regime, a total of over £223 billion in subsidies have been awarded.¹⁵ Subsidy schemes account for the vast majority of total awards – approximately £196 billion or 88%.

Figure 1: Total subsidies awarded by subsidy type in the 2023-26 period



Most of the subsidy awards have been relatively small in value, but the largest subsidies account for much of the value awarded in the 2023-2026 period. Specifically, over 85% of subsidies awarded were less than £1m, with the median award of approximately £274,000. Nevertheless, high-value subsidies – those with awards of £1 billion and above – accounted for over 67% of total value awarded, even though they made up less than 0.1% of the subsidies we analysed.

¹³ All figures in this section reference the DBT's subsidy database, available at <https://searchforuksubsidies.beis.gov.uk/>. The version of the database used in the current analysis was downloaded on 15 June 2026, and all subsidies awarded after 1 January 2023 are included in the analysis. See Appendix A for more details on our methodology.

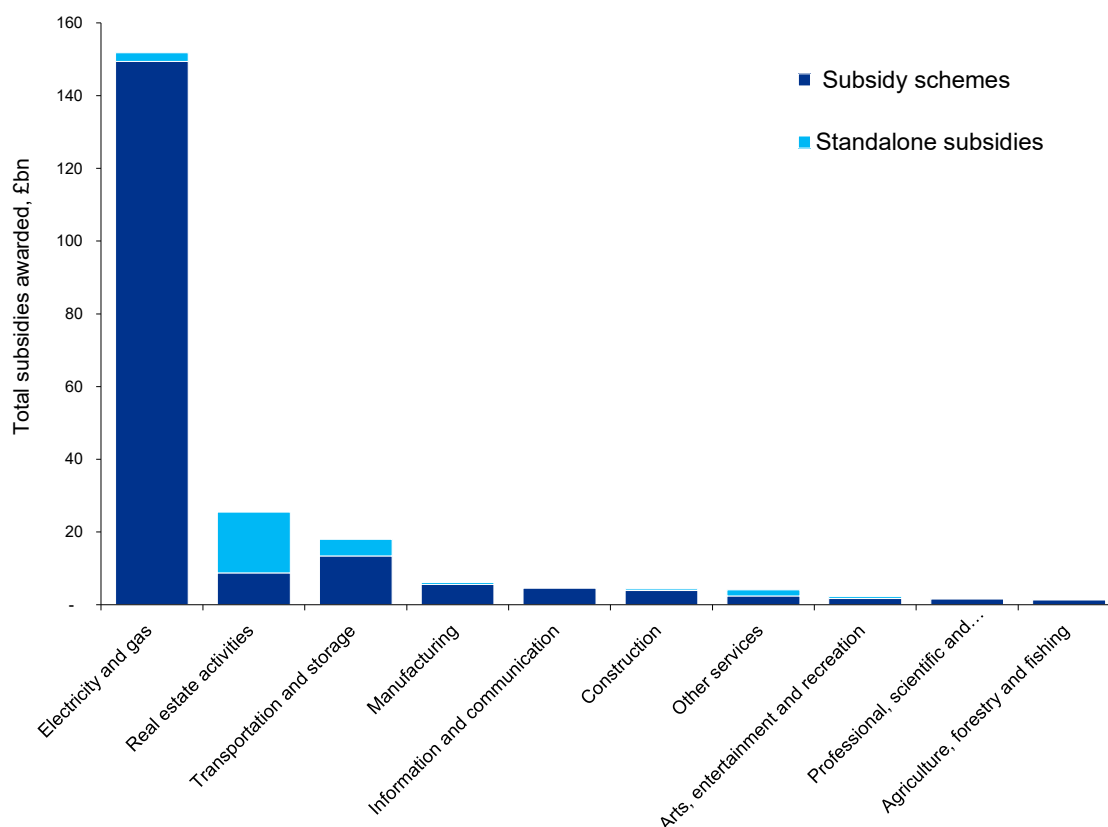
¹⁴ Note that figures obtained in our analysis may differ from figures in the CMA's statutory review due to differences in the time period considered and the cleaning assumptions applied.

¹⁵ Note that our analysis does not consider Minimum Financial Assistance (MFA) and Services of Public Economic Interest (SPEI) assistance awards.

Table 1: Distribution of awards by award size in the 2023-26 period

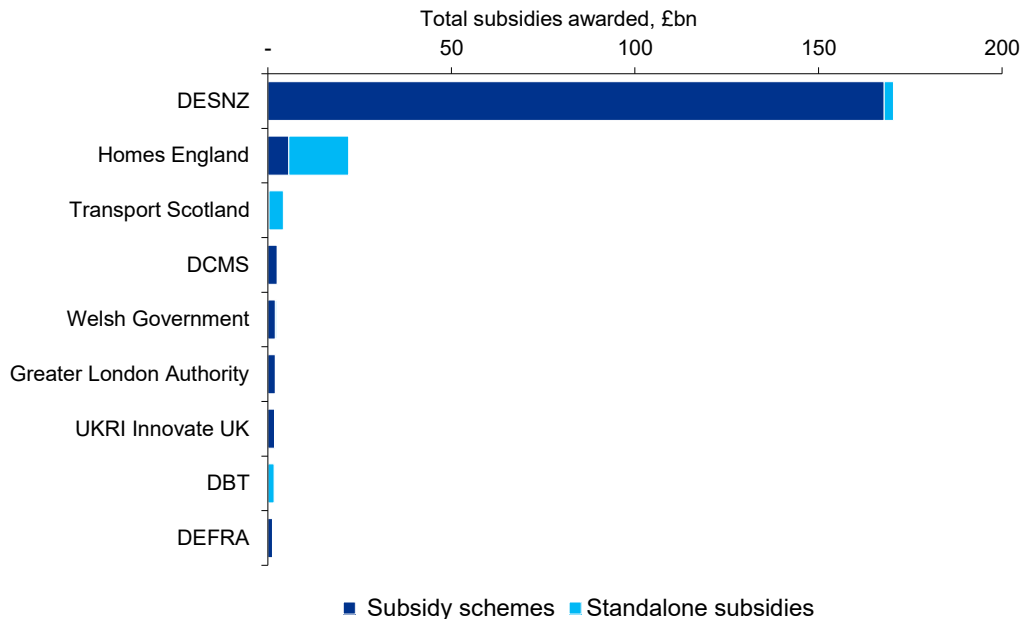
Award size	Number of awards (2023-2026)	Percentage of total award volume	Percentage of total award value
< £1m	35,972	82.70%	4.60%
£1–10m	6,389	14.70%	7.60%
£10–100m	1,028	2.40%	12.20%
£100m–£1bn	86	0.20%	8.50%
£1–10bn	22	0.05%	32.90%
> £10bn	3	< 0.05%	34.20%

The energy sector accounted for approximately 70% of subsidies awarded in the 2023-2026 period, with most of the awards coming through subsidy schemes. The real estate sector was the second-largest recipient of subsidies, followed by transportation and storage and manufacturing sectors.

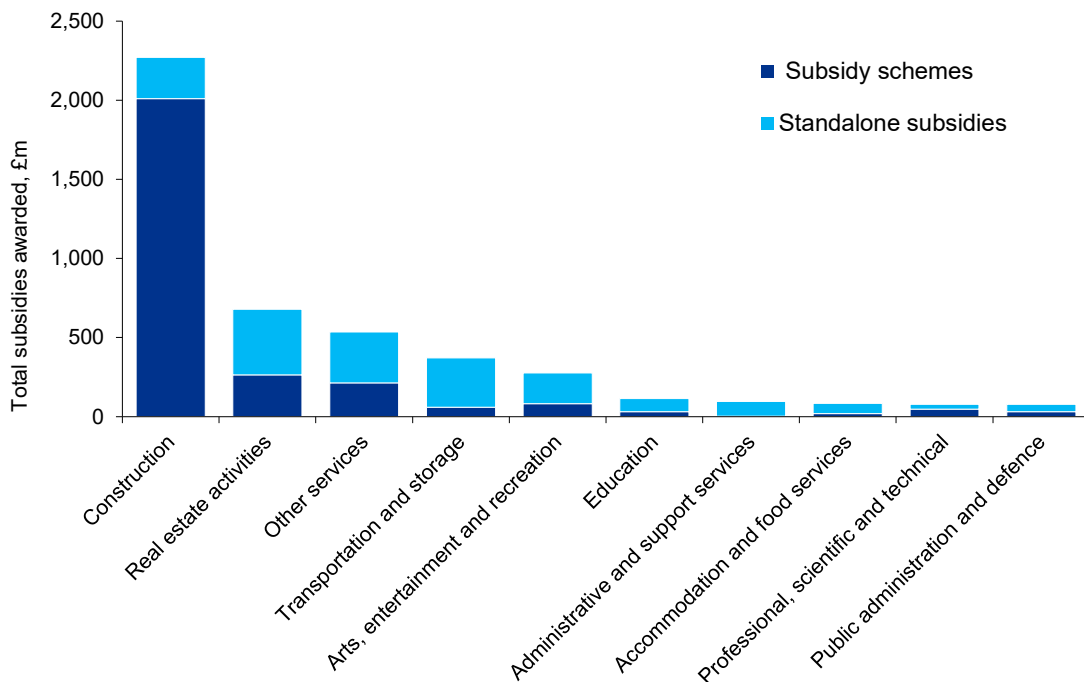
Figure 2: Ten largest sectors by total awards in the 2023-26 period¹⁶

Of the public authorities issuing subsidies, DESNZ accounted for the largest share (76%) by value of subsidies awarded, issuing over £170 billion in subsidies. The top ten public authorities in terms of total value awarded accounted for approximately 94% of all subsidy awards by value.

¹⁶ The ten largest sectors accounted for over 98% of value of all subsidies analysed.

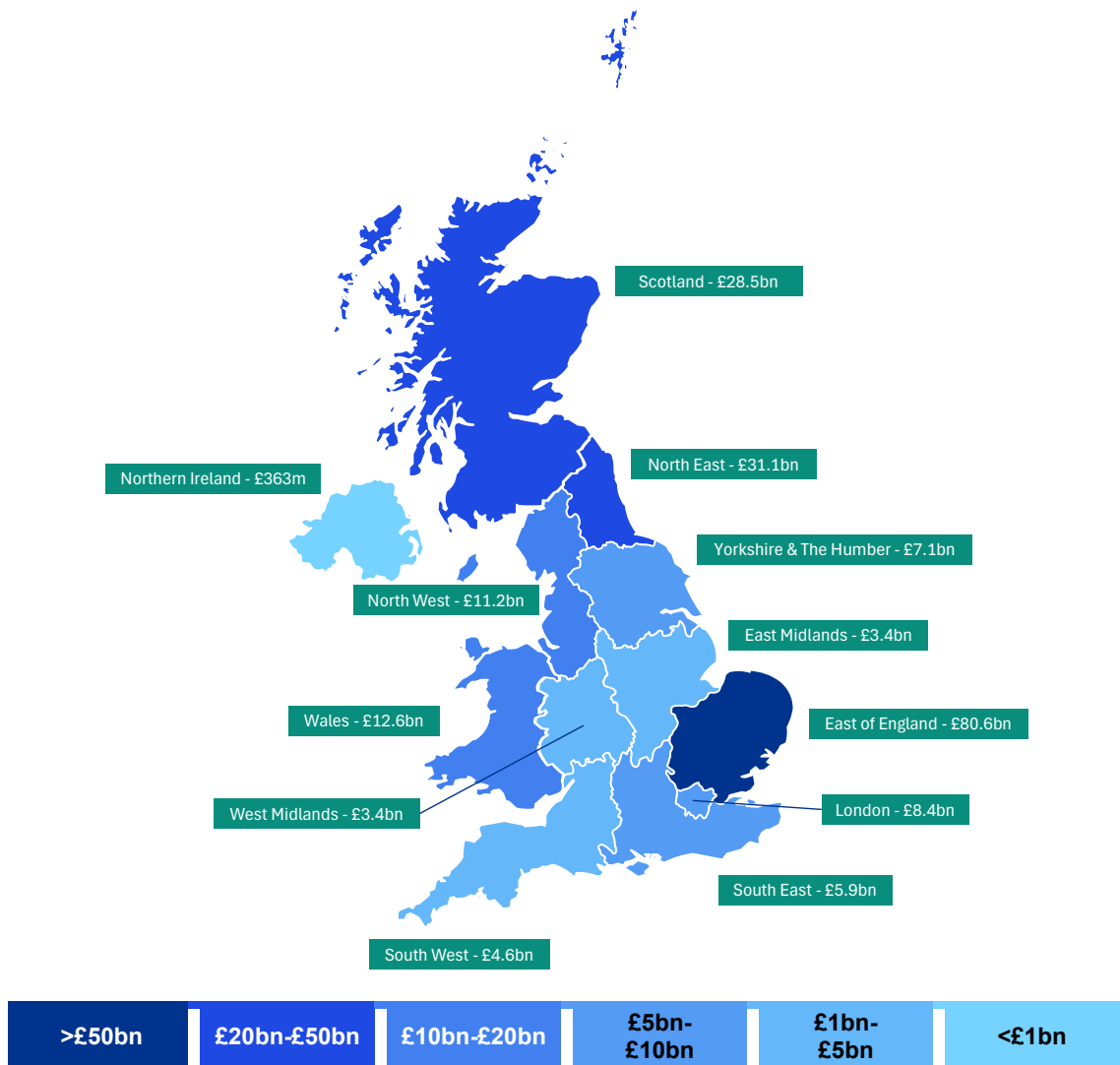
Figure 3: Ten largest public authorities by award value in the 2023-26 period

We have also examined subsidies awarded by local government authorities to understand which sectors received most subsidies at the local level. Local authorities awarded a total of approximately £4.8 billion in subsidies, and construction and real estate sectors made up more than 60% of total awards by value. The largest subsidy scheme at the local level was the “Homes for Londoners” scheme, which awarded £1.9 billion between the 2023-2026 period.

Figure 4: Ten largest sectors by awards from local authorities in the 2023-26 period

In terms of the regional distribution of subsidy awards, the East of England has received the highest total awards, driven primarily by the £50.3 billion subsidy awarded by DESNZ under the Sizewell C Final Investment Decision Subsidy Scheme.

Figure 5: Regional distribution of subsidy awards in the 2023-26 period



We have also identified the largest individual subsidies in each region, which together accounted for £78 billion or 35% of total subsidy awards by value. Table 2 also highlights what percentage of the total subsidies awarded to each region is comprised of the largest individual subsidy awarded in that region. The largest individual subsidies awarded in East of England and North East regions made up more than half of the total subsidies awarded in these regions.

Table 2: Largest individual subsidy awards by region in the 2023-26 period

Spending region	Recipient name	Awarded amount	Spending sector	Share of total subsidies awarded in the region
East of England	Sizewell C Limited	£50.3 billion	Electricity and gas	62%
North East	Net Zero Teesside Power	£10.1 billion	Electricity and gas	32%
North West	Liverpool Bay CCS	£6.0 billion	Transportation and storage	53%
Scotland	Berwick Bank B	£5.4 billion	Electricity and gas	19%
Wales	Awel y Môr Offshore Wind Farm	£3.1 billion	Electricity and gas	25%
Yorkshire & The Humber	Drax Power	£1.8 billion	Electricity and gas	25%
Greater London	Post Office	£228 million	Other service activities	3%
East Midlands	HyMarnham Power (Nottingham)	£215 million	Electricity and gas	6%
South East	Green Hydrogen	£161 million	Electricity and gas	3%
South West	British Telecommunications PLC	£147 million	Information and communication	3%
West Midlands	British Telecommunications PLC ¹⁷	£147 million	Information and communication	4%
Northern Ireland	Fermanagh and Omagh District Council	£46 million	Arts, entertainment and recreation	13%

¹⁷ Note that the region indicated for this award is both South West and West Midlands. In line with our methodology, we apportioned this subsidy to both regions equally. See Appendix A for more details.

4 Meta evaluation of DESNZ subsidy assessments

DESNZ's subsidy assessments provide a useful lens through which to examine how the SCA is being applied in practice. As discussed in the previous section, DESNZ has been the largest awarding authority by value of subsidies since the introduction of the regime, accounting for a significant proportion of overall subsidy spending. We therefore undertook a review of 21 publicly available SAU reports relating to DESNZ subsidy assessments to identify recurring themes in the SAU's scrutiny of referred subsidies and to examine which principles are proving the most challenging in practice. Rather than focusing on individual cases, the analysis seeks to draw out broader lessons on what constitutes a robust subsidy assessment and where authorities are most likely to attract scrutiny.

Our meta evaluation of the DESNZ subsidy assessments reveals a clear pattern in the areas receiving the greatest scrutiny:

- The most frequently commented-on principle was Principle F (competition and investment effects).
- The SAU set out improvement points across a similar number of reports on Principles B (proportionality), C (behaviour change and counterfactual) and G (balancing exercise).
- Principle D (additionality) generated the fewest standalone comments.

Taken together, the findings suggest that the SAU has generally been satisfied that subsidies have been in place to address a legitimate policy objective. However, it has raised numerous challenges as to whether authorities have adequately evidenced the intervention, demonstrated that the subsidy is appropriately designed, and robustly assessed its likely effects on competition, investment and market outcomes.

A summary of the key themes across each of the subsidy principles are set out as below.

Principle A: Objectives and market failure

Where the SAU raised concerns, they often related to the foundations of the assessment. A recurring theme was the need for authorities to articulate policy objectives more clearly and precisely. In several assessments, the SAU encouraged authorities to better link the policy objectives to the market failures identified. For example:

- **Contracts for Difference (CfD) for Renewables Scheme (AR5)**¹⁸ – six market failures were identified by the Department for Business, Energy & Industrial

¹⁸ SAU (2023), Subsidy Advice Unit Report on Contracts for Difference (AR5/2023)

Strategy (BEIS) relating to why the provision of low-carbon generation would be suboptimal absent support. However, the SAU noted BEIS could have provided evidence to demonstrate the existence of the market failure and provided a more direct link between these and the policy objectives and how the scheme would remedy them.

- **Energy Bills Discount Scheme**¹⁹ – the SAU noted that policy objectives were described at a high level, rather than being specific and were not linked to an identified market failure.

Some assessments were also criticised for describing market conditions or commercial challenges without fully explaining why these constituted a market failure that justified public intervention.

The broader lesson is that authorities should avoid treating the identification of objectives and market failures as a procedural step. A clearly articulated objective and well-evidenced market failure provide the foundation for the remainder of the assessment and are often critical to demonstrating compliance with the subsequent principles.

Principle B: Proportionality and minimum necessary

Across the reviewed assessments, the SAU has repeatedly sought stronger evidence that subsidy levels had been calibrated appropriately and limited to the minimum necessary to achieve the policy objective.

The most common concerns related to insufficient explanation of how funding levels had been determined, why particular subsidy mechanisms had been selected, and how authorities had satisfied themselves that beneficiaries would not receive excessive support. The SAU frequently encouraged authorities to provide greater transparency around bid processes, financial assessments, due diligence exercises, award methodologies and mechanisms intended to prevent over-compensation. For example:

- **Sizewell C Development Expenditure Scheme**²⁰ – the SAU considered that the assessment should provide more detail on the checks that would be undertaken if additional funding is required, to demonstrate that any further support remains limited to the minimum necessary. While value-for-money analysis may show that funding delivers net benefits, it does not by itself demonstrate that the level of funding is no greater than necessary.
- **Net Zero Hydrogen Fund (NZHF) Strand 4**²¹ – it was recommended by the SAU that DESNZ should explicitly consider if proportionality of the subsidy would be impacted by other subsidies to the same beneficiary to achieve similar policy objectives.

For authorities, the key lesson is that proportionality cannot simply be asserted. The assessment should clearly explain the analytical steps taken to determine subsidy

¹⁹ SAU (2023), Subsidy Advice Unit Report on the Energy Bills Discount Scheme for Energy and Trade Intensive Industries

²⁰ SAU (2024), Subsidy Advice Unit Report on the proposed Sizewell C Development Expenditure scheme

²¹ SAU (2024), Subsidy Advice Unit Report on Strand 4 of the Net Zero Hydrogen Fund

levels and demonstrate why alternative funding arrangements would either be insufficient or disproportionate. For beneficiaries, this places greater importance on providing robust evidence of project costs, funding gaps and financing constraints.

Principle C: Behaviour change and counterfactual

The SAU frequently challenged authorities to provide a more robust and evidence-based counterfactual. Common criticisms included limited consideration of what would happen absent the subsidy, insufficient evidence supporting behavioural assumptions and a lack of analysis of alternative outcomes. The SAU frequently sought stronger demonstration that the subsidy would change the beneficiary's behaviour and that such behavioural change would contribute directly to achieving the policy objective.

Many of the comments under Principle C focused on deadweight risk²² and whether projects would proceed in any event. The SAU often requested additional evidence, such as financial modelling, investment cases, market evidence or internal decision-making documents, to support claims regarding behaviour change.

For instance, in relation to the **Contracts for Difference Clean Industry Bonus Subsidy Scheme**,²³ the SAU noted DESNZ could have made better use of the available evidence (some of which was contained in the appendices of the assessment) to support its conclusions.

The recurring message for both authorities and recipients is that counterfactuals need to be evidenced rather than assumed. The stronger the evidence demonstrating how the subsidy changes behaviour, the more robust the overall assessment is likely to be.

Principle D: Additionality

Whilst Principle D generated the fewest instances of standalone feedback, this may understate the prominence of additionality concerns within the SAU's reviews.²⁴

Many issues that might traditionally be viewed as additionality questions were instead addressed through the SAU's comments on counterfactuals and behavioural change under Principle C. For example, the SAU regularly queried whether investment would have occurred without support, whether subsidies were funding activities that would happen anyway, or whether support risked covering business-as-usual expenditure.

Where Principle D comments were made explicitly, they generally focused on demonstrating that public funding would generate genuinely additional activity and on ensuring that eligibility criteria or assessment processes adequately screened out projects that did not require support. For example, in relation to the **Heat Pump Investment Accelerator Competition**,²⁵ the SAU found that the assessment

²² Deadweight risk refers to the risk that a subsidy funds activity that would have occurred without public support, meaning the subsidy delivers little or no additional change in the beneficiary's behaviour.

²³ DESNZ (2024), Subsidy Advice Unit Report on the proposed Contracts for Difference Clean Industry Bonus Subsidy Scheme

²⁴ Additionality refers to the extent to which a subsidy generates activity, investment or outcomes that would not have occurred without public support. A subsidy lacks additionality where it funds activity that the beneficiary would have undertaken in a similar form, manner and timeframe absent the subsidy

²⁵ SAU (2023), Subsidy Advice Unit Report on the Heat Pump Investment Accelerator Competition

methodology and evidential requirements were clearly articulated. Nevertheless, it questioned whether the minimum evidential threshold for demonstrating that a project would not proceed without support was sufficiently stringent to ensure a satisfactory degree of additionality.

The takeaway is that additionality should not be treated as a discrete exercise. Evidence regarding additionality should be embedded throughout the assessment, particularly within the counterfactual and behavioural change analysis.

Principle E: Alternatives

A common theme was that authorities often identified alternatives but did not sufficiently explain why those alternatives had been rejected. The SAU frequently encouraged more detailed consideration of non-subsidy interventions, alternative policy instruments and alternative funding structures. In several cases, the SAU sought stronger evidence explaining why options such as loans, equity investment, regulatory measures or alternative programme designs would not have achieved the same objective. Examples of the SAU's feedback include:

- **Heat Pump Investment Accelerator Competition Round 2**²⁶ - the assessment placed too much emphasis on alternative forms of subsidy and should instead provide a fuller explanation of the non-subsidy options considered, and why those alternatives would be less effective in achieving the scheme's objectives.
- **Viking CCUS Development Fund**²⁷ – DESNZ could have considered alternative sources of public funding such as the National Wealth Fund or Great British Energy and assessed whether they were inappropriate.

The implication is that alternatives analysis should be treated as a substantive analytical exercise rather than a short narrative section justifying a preferred approach. Authorities appear most likely to satisfy the SAU where they demonstrate that realistic alternatives have been assessed systematically and rejected for clearly evidenced reasons.

Principle F: Competition and investment effects

The SAU repeatedly encouraged authorities to undertake more detailed assessments of affected markets, market participants and potential distortions. Common themes included limited discussion of market structure, insufficient consideration of impacts on competitors and inadequate analysis of investment incentives. The SAU frequently sought greater clarity regarding the relevant product and geographic markets, the parties likely to be affected by the subsidy and the mechanisms through which competition or investment may be influenced.

In many cases, the SAU accepted that authorities had identified potential competition effects but considered the analysis to be insufficiently developed or evidenced. A

²⁶ SAU (2025), Subsidy Advice Unit Report on the Heat Pump Investment Accelerator Competition Round 2

²⁷ SAU (2026), Subsidy Advice Unit Report on the proposed Viking CCUS Development Fund

recurring concern was that assessments relied on high-level conclusions rather than detailed examination of market dynamics.

Examples of the SAU's critique in relation to Principle F include:

- **Contracts for Difference, Clean Industry Bonus, Allocation Round 8 Scheme**²⁸ - the assessment should undertake a more detailed analysis of potential competition distortions, including the extent to which support could shift demand between competing manufacturers. It also encouraged a fuller assessment of market impacts, such as potential effects on prices, taking into account the scale of the subsidy relative to the size of the affected market.
- **Green Volt Floating Wind Farm**²⁹ - the assessment would benefit from a more structured analysis of the relevant markets, including clearer consideration of how the subsidy could affect wider electricity markets and supply conditions in Great Britain. Even where such effects are expected to be limited, the assessment should explain the relevant market linkages and set out the likely impacts more explicitly.
- **CCUS Transport and Storage Regulatory Investment Model Support Scheme**³⁰ - the assessment should examine more fully how the scheme could affect competition and investment across the wider CCUS value chain, including potential distortions arising from ownership structures, vertical relationships and interactions between different parts of the supply chain. It also encouraged broader consideration of how the scheme might influence competition and investment in other low-carbon and power generation technologies.

For authorities and beneficiaries alike, this is perhaps the clearest lesson emerging from the reports. The SAU increasingly expects an evidence-based assessment of competition and investment effects, supported by market analysis rather than broad qualitative assertions.

All but two of the SAU reports reviewed contained several areas for improvement to strengthen the analysis of Principle F. The subsidy assessments for these two schemes set out a range of factors in its Principle F analysis, as per the SAU's evaluation:

- **ITM Power UK Ltd**³¹ - the assessment considered factors including market concentration, the availability of alternative suppliers, expected market growth, potential effects on competitors and market entry, impacts on innovation, and local labour market effects when assessing the likelihood of competition distortions.
- **Viking CCUS Development Fund**³² – the assessment considered a range of design features intended to minimise distortions, including the choice of funding instrument, the competitive beneficiary selection process, the scale and duration of

²⁸ SAU (2026), Subsidy Advice Unit Report on Contracts for Difference Clean Industry Bonus, Allocation Round 8 Scheme

²⁹ SAU (2024), Subsidy Advice Unit Report on a Proposed Subsidy to Green Volt Floating Offshore Wind Farm Limited

³⁰ SAU (2024), Subsidy Advice Unit Report on the proposed CCUS Transport and Storage Regulatory Investment Model Support Scheme

³¹ SAU (2026), Subsidy Advice Unit Report on the proposed subsidy to ITM Power UK Ltd

³² SAU (2026), Subsidy Advice Unit Report on the proposed Viking CCUS Development Fund

support, ringfencing arrangements, milestone-based payments, performance requirements, and monitoring mechanisms. It also assessed competition impacts by examining market maturity, barriers to entry, competitive conditions within the emerging CCUS sector, effects on investment incentives, and potential impacts on related markets and input factors such as power, land and labour.

Principle G: Balancing positive and negative effects

The SAU's comments suggest that the balancing exercise remains one of the most challenging aspects of many subsidy assessments. A common theme was that balancing exercises were often weakened by shortcomings elsewhere in the assessment. In particular, where competition and investment effects had not been fully assessed under Principle F, the SAU found it difficult to determine whether the authority's balancing conclusion was sufficiently robust.

The SAU frequently encouraged authorities to take a more structured approach to identifying, assessing and weighing both benefits and harms. It often sought clearer explanation of why particular benefits should be attributed to the subsidy, greater consideration of potential negative effects and more explicit reasoning supporting the conclusion that benefits outweigh distortive impacts. In some cases, the SAU also encouraged greater quantification of both positive and negative effects.

The key lesson is that the balancing exercise is not a standalone conclusion but rather the culmination of the broader assessment. Robust analysis under the preceding principles substantially strengthens an authority's ability to demonstrate that the subsidy's positive effects outweigh any adverse impacts on competition, investment, trade or other relevant interests.

What do these trends tell us?

Across the four most frequently commented-upon principles, a consistent theme emerges: the SAU is increasingly focused on the quality of evidence, the transparency of the reasoning process and the analytical robustness of the assessment. The strongest assessments are therefore likely to be those that not only reach the correct conclusions but clearly demonstrate how those conclusions have been reached.

5 Implications

The emerging evidence points to a subsidy control regime in which the quality of economic reasoning is becoming key. For public authorities, the key risk is no longer simply whether a measure falls within scope of the SCA, but whether the assessment demonstrates a clear and proportionate rationale for intervention. The analysis in this report suggests that authorities should expect particular scrutiny of market failure, counterfactual analysis, proportionality, competition effects and the balancing exercise.

For public authorities awarding subsidies, this has three practical implications:

- 1 Subsidy assessments should be treated as an integral part of policy design rather than a compliance exercise carried out at the end of the process. The policy objective, market failure or equity rationale should be clearly defined from the outset, as weaknesses at this stage can undermine the rest of the assessment.
- 2 Authorities should be prepared to evidence why the subsidy is necessary and appropriately calibrated, including through funding gap analysis, financial due diligence, bid assessment materials or other evidence explaining how the level and form of support have been determined.
- 3 Authorities should give greater attention to competition and investment effects, including the relevant markets affected, the position of competitors, and the mechanisms through which the subsidy could influence market outcomes.

For subsidy beneficiaries, the practical message is that robust evidence will be critical. Beneficiaries seeking public support should be prepared to explain what would happen without the subsidy, why the project would not proceed in the same form or timeframe, and how the funding will change behaviour. The SAU's comments on DESNZ assessments suggest that counterfactual evidence, investment cases, financial modelling and internal decision-making materials may be particularly important in supporting claims of additionality and behavioural change.

The regime creates a clear role for integrated legal and economic analysis. The legal framework determines whether a measure is in scope and what process applies, but the robustness of the assessment often turns on economic evidence: market failure, proportionality, counterfactuals, competition effects and the balance of benefits and harms. This is particularly important for large, novel or strategically significant subsidies, where the SAU is more likely to expect a structured and evidence-led assessment.

The analysis of subsidy awards also highlights where scrutiny is most likely to arise. Energy, real estate and transport account for a large share of awarded value, while high-value subsidies represent only a small proportion of the number of awards but a very large share of total value. These sectors and subsidy types are likely to remain important areas of focus, both because of the scale of public funding involved and because they often raise complex questions around investment incentives, market structure and competitive impact.

Overall, the next phase of the regime is likely to be shaped less by the basic question of whether public authorities can award subsidies, and more by whether they can demonstrate that subsidies are well-targeted, proportionate and supported by credible evidence. The implication for both authorities and beneficiaries is clear: the stronger the underlying evidence and the clearer the economic logic, the more resilient the subsidy assessment is likely to be.

A Subsidy database analysis: methodology

The analysis of subsidy awards in Section 3 of this report relies on data from the database published by the DBT.³³ The database contains four datasets, and our analysis focuses on the “Standalone subsidy awards” and the “Awards made under subsidy schemes” datasets.

The version of the database used in the analysis was downloaded on 15 June 2026, and all subsidies awarded after 1 January 2023 were considered. The data field ‘Awarded date’ was used to identify the date of each subsidy award.³⁴

The analysis was conducted using the Python programming language. We applied several data-cleaning assumptions to standardise information across the two datasets.

Where the award amounts were given as ranges, we used the midpoint of the range. There were four subsidies that were entered into the database with zero award amounts. These subsidies are not considered in our analysis.

For **spending sectors**, we standardised sector names by correcting typographical errors (e.g. changing ‘sweweage’ to ‘sewerage’), standardising capitalisation (e.g. ‘Real Estate’ and ‘Real estate’), and removing leading numbers (e.g. changing ‘7. Construction’ to ‘Construction’). In instances where more than one sector was listed, the entry was assigned to the sector appearing first in the list.

For **spending regions**, we standardised region names by applying consistent capitalisation. Where more than one region was listed, the full award amount was assigned to each identified region, rather than being apportioned across regions. As a result, totals across regions may exceed the overall value of subsidy awards. Awards classified as UK-wide, GB-wide, or England-wide, awards to the Channel Islands, as well as ambiguous regional references such as ‘South’ and ‘East’, were excluded from Figure 5.

For **public authorities**, we aligned abbreviated authority names with their full titles (e.g. ‘Department for Energy Security and Net Zero’ and ‘DESNZ’), and took into account historic departmental restructurings (e.g. BEIS being split into DSIT, DESNZ and DBT). Specifically, when apportioning subsidies that were initially awarded by BEIS, we manually matched the subsidy schemes to the authority currently responsible for them.

Finally, to identify local government authorities, we relied on the ONS Public Sector Classification Guide (PSCG). Where authority names could not be directly matched to the names in the PSCG database, we manually researched the authority names to confirm whether they could be classified as local authorities.³⁵

³³ Available at <https://searchforuksubsidies.beis.gov.uk/>

³⁴ Note that there are three standalone subsidy awards in the database which are forward-dated, i.e. the ‘Awarded date’ field contains dates beyond 15 June 2026. These are included in the analysis.

³⁵ Available at <https://www.ons.gov.uk/methodology/classificationsandstandards/economicstatisticsclassifications/introductiontoeconomicstatisticsclassifications>. The dataset was downloaded on 25 June 2026.

B SAU reports reviewed

The following SAU reports related to DESNZ subsidy assessments were reviewed as part of the evaluation:

Year	Subsidy scheme/recipient
2026	Contracts for Difference Clean Industry Bonus, Allocation Round 8 Scheme
2026	Viking CCUS Development Fund
2026	ITM Power UK Ltd
2026	Modified Green Heat Network Fund subsidy scheme
2025	Heat Pump Investment Accelerator Competition Round 2
2025	Capacity Market Scheme (as amended in 2025)
2025	Contracts for Difference (AR7/2025)
2025	Low-Carbon Dispatchable Contracts for Difference to Drax Power Limited
2024	Sizewell C Final Investment Decision Scheme
2024	CCUS Transport and Storage Regulatory Investment Model Support Scheme
2024	Sizewell C Development Expenditure scheme
2024	Capacity Market Scheme
2024	Contracts for Difference Clean Industry Bonus Subsidy Scheme
2024	Strand 4 of the Net Zero Hydrogen Fund
2024	Green Volt Floating Offshore Wind Farm Limited
2023	Contracts for Difference (AR5/2023)
2023	Energy Bills Discount Scheme for Energy and Trade Intensive Industries
2023	Heat Pump Investment Accelerator Competition
2023	Hydrogen Production Business Model subsidy scheme
2023	Net Zero Hydrogen Fund subsidy scheme



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Contact us

Chris Jenkins, Director
Competition Economics and Finance
E chris.jenkins6@kpmg.co.uk

Mei Lau, Associate Director
Competition Economics and Finance
E mei.lau@kpmg.co.uk

Dato Aronia, Manager
Competition Economics and Finance
E dato.aronia@kpmg.co.uk



www.kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

CREATE: CRT168572A | July 2026