

# **Subsidy Advice Unit Report on the proposed subsidy for Eden Project Morecambe**

**Referred by Lancaster City Council**

**24 January 2024**

**Subsidy Advice Unit**

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Part of the Competition and Markets Authority

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# 1. Introduction

- 1.1 This report is an evaluation prepared by the Subsidy Advice Unit (SAU), part of the Competition and Markets Authority, under section 59 of the Subsidy Control Act 2022 (the Act).
- 1.2 The SAU has evaluated the assessment of compliance from Lancaster City Council (the Council) of Eden Project Morecambe with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).<sup>1</sup>
- 1.3 This report is based on the information provided to the SAU by the Council in its Assessment and evidence submitted relevant to that Assessment.
- 1.4 This report is provided as non-binding advice to the Council. The purpose of the SAU's report is not to make a recommendation on whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements. The Council is ultimately responsible for granting the subsidy, based on its own assessment, having the benefit of the SAU's evaluation.
- 1.5 A summary of our observations is set out at section 2 of this report.

## The referred subsidy<sup>2</sup>

- 1.6 The Council proposes to award a subsidy of £50.9 million to a newly created Special Purpose Vehicle owned by Eden Project Ltd<sup>3</sup> (known as Eden Project International), to support the construction of Eden Project Morecambe. The subsidy will enable the regeneration of a derelict site on Morecambe's seafront into a new nationally significant cultural and tourism destination in the North of England. Eden Project Morecambe will feature inter-connecting gardens and pavilions curated with horticulture, art, and exhibits.
- 1.7 The subsidy includes a grant of £50 million secured from the Government's Levelling Up Fund (administered by the Department for Levelling Up, Housing and Communities) and £900,000 related to the nominal value of the land for the project being sold by the Council to Eden Project International. The overall cost of the initial phase of development, covering construction and fit-out, is estimated to be £100.9 million; the remaining funding will be obtained through a mix of private sources.<sup>4</sup>

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<sup>1</sup> Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.

<sup>2</sup> [Referral of the proposed subsidy for Eden Project Morecambe by Lancaster City Council - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-the-proposed-subsidy-for-eden-project-morecambe-by-lancaster-city-council).

<sup>3</sup> Eden Project Ltd is a charity and social enterprise ultimately responsible to the Eden Trust (a UK registered charity).

<sup>4</sup> Future phases of the project are planned, but out of scope of the proposed subsidy.

## SAU referral process

- 1.8 On 4 December 2023, the Council requested a report from the SAU in relation to its proposed grant to Eden Project International.
- 1.9 The Council explained<sup>5</sup> that the subsidy is a Subsidy of Particular Interest (SOPI) because the subsidy of £50.9 million is higher than the SOPI threshold of £10 million.
- 1.10 The SAU notified the Council on 8 December 2023 that it would prepare and publish a report within 30 working days (ie, on or before 24 January 2024).<sup>6</sup> The SAU published details of the referral on 8 December 2023.<sup>7</sup>

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<sup>5</sup> In the information provided under section 52(2) of the Act.

<sup>6</sup> Sections 53(1) and 53(2) of the Act.

<sup>7</sup> [Referral of the proposed subsidy for Eden Project Morecambe by Lancaster City Council - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-the-proposed-subsidy-for-eden-project-morecambe-by-lancaster-city-council).

## 2. Summary of the SAU's observations

- 2.1 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 2.2 We consider that the Council has clearly identified the additionality and change in economic behaviour that will occur as a result of the subsidy. The Assessment also carries out a detailed examination of the potential competitive impact of the subsidy (subject to the comments in paragraph 2.4). We note in particular the use of the existing Eden Project Cornwall as a case study to provide supporting evidence, as well as a range of relevant existing third-party studies, public surveys and consultations prepared for the Levelling Up Fund application for Eden Project Morecambe.
- 2.3 However, while some of the information from the Levelling Up Fund application is relevant, the Assessment could be improved by focusing the information and supporting evidence more clearly on the specific requirements of the subsidy control principles. In addition, we consider that the Council could strengthen parts of its Assessment, in particular:
- (a) In Step 1, by taking a more focused approach to the equity rationale. In particular, the Council could give more careful consideration as to which socio-economic issues the policy objective seeks to address and set out more clearly how it will do so. This would also assist the Council in conducting the remainder of the Assessment.
  - (b) In Step 2, by articulating more clearly in the counterfactual what would happen to the derelict site, absent Eden Project Morecambe. For example, the Council could take likely current options for redevelopment and investment of the site more directly into account, as opposed to focusing on previous failed attempts at redevelopment.
  - (c) In Step 3, by more clearly identifying Eden Project Morecambe's closest competitors. While we recognise the difficulty in identifying a beneficiary's closest competitors in cases where products are as diverse as in the case of visitor attractions, the Assessment contains a number of contradictory statements on who these are.
  - (d) In Step 4, by setting out more clearly how the Council arrived at the conclusion that the benefits outweigh the potential negatives.
- 2.4 Our report is advisory only and does not directly assess whether the subsidy to Eden Project International complies with the subsidy control requirements. The report does not constitute a recommendation on whether the subsidy should be

implemented by the Council. We have not considered it necessary to provide any advice about how the proposed subsidy may be modified to ensure compliance with the subsidy control requirements.<sup>8</sup>

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<sup>8</sup> Section 59(3)(b) of the Act.

### 3. The SAU's Evaluation

3.1 This section sets out our evaluation of the Assessment, following the four-step structure used by the Council.

#### **Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use**

3.2 The first step involves an evaluation of the Assessment against:

- (a) Principle 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 local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle 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.<sup>9</sup>

#### **Policy objectives**

3.3 The Assessment sets out an overall policy objective of delivering a visitor attraction in Morecambe to help address a range of social and economic disadvantages in the area. The attraction will address this through increasing the number of paying visitors to Morecambe and by providing access to cultural and educational amenities. The subsidy seeks to overcome barriers that to date have prevented the development of the long derelict site.

3.4 The Assessment notes that this objective is linked to the wider policy objectives of the Government's Levelling Up White Paper<sup>10</sup> and Levelling Up Fund.<sup>11</sup>

3.5 We consider that the policy objective is clearly set out. However, as noted in the following section, the broad range of issues cited under the equity rationale means that the Assessment lacks clarity as to how the stated policy objective will address each of the issues cited.

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<sup>9</sup> Further information about the Principles A and E can be found in the [Statutory Guidance](#) (paragraphs 3.32-3.56) and the [SAU Guidance](#) (paragraphs 4.7-4.11).

<sup>10</sup> [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk/levelling-up-the-united-kingdom)

<sup>11</sup> [New levelling up and community investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/new-levelling-up-and-community-investments)



## Equity objective

- 3.6 The Statutory Guidance sets out that equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.<sup>12</sup>
- 3.7 The Assessment describes a very broad equity rationale linked to a wide range of economic and social challenges faced by Morecambe and its adjacent area, which the subsidy aims to address. These include lower life expectancy, poorer health and higher obesity rates, lower educational attainment, lower employment rates and higher rates of crime when measured against regional and national averages.
- 3.8 The Assessment uses a comprehensive range of evidence to support the existence of these issues. We consider that this evidence clearly supports the stated equity rationale. In particular, the use of a range of socio-economic metrics and data is appropriate to support the existence of the issues raised.<sup>13</sup>
- 3.9 However, we consider that the breadth of issues identified within the Assessment makes it difficult to understand how the policy objective (that is, the development of Eden Project Morecambe) will address all the issues raised. Consequently, this makes the policy objective, while clearly articulated, poorly linked to the equity rationale it seeks to address.
- 3.10 We note that the approach taken in the Assessment mirrors the information provided in the Council's Levelling Up Fund bid. While there will be commonalities between such bids and an assessment of the subsidy control principles, public authorities should take care to tailor the information they use to the requirements of the Act. While there will be a range of indirect benefits associated with a development of this nature, we consider that the Assessment would be significantly improved by taking a more focused approach to the equity rationale with more careful consideration as to which socio-economic issues the policy objective seeks to address, including how it will do so.

## Consideration of alternative policy options and why the subsidy is the most appropriate and least distortive instrument

- 3.11 In order to comply with Principle E, public authorities should consider why the decision to give a subsidy is the most appropriate instrument for addressing the identified policy objective, and why other means are not appropriate for achieving the identified policy objective.<sup>14</sup>

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<sup>12</sup> [Statutory Guidance](#), paragraphs 3.49-3.53.

<sup>13</sup> For example, relative performance in respect of deprivation, investment, economic output and productivity, jobs per 100 working age population, workplace earnings, skills levels amongst the resident population, business density rates, levels of crime, health and other social problems linked to deteriorating urban and social fabric.

<sup>14</sup> [Statutory Guidance](#), paragraphs 3.54-3.56.

- 3.12 The Assessment details a range of failed prior initiatives dating back some 20 years (including previously unsuccessful funding bids) aimed at addressing regional disadvantage via investment in the Morecambe area. It sets out that these were hampered by limited resources and notes that the piecemeal or incremental nature of the previous proposals limited their likely impact. The Assessment concludes that only a project of the size and scale of Eden Project Morecambe is likely to have the impact needed to address the aims set out under the policy objective.
- 3.13 The Assessment sets out that alternative options to fund Eden Project Morecambe were considered, such as commercial loans or equity investment, alongside other options such as direct delivery or regulation. These were discounted as either not feasible – given existing financial and policy constraints – or not able to bridge the viability gap (see Step 2 and Step 3). As such, a subsidy is the only appropriate way to enable Eden Project Morecambe to proceed.
- 3.14 The Assessment considers these alternative options briefly and at a high level, providing limited evidence explaining the need for the subsidy and why it is considered the most appropriate instrument. In our view, the Assessment could be strengthened with further explanation of how the scope and need for the subsidy proposed was arrived at and how consideration of alternatives helps demonstrate the appropriateness of the proposed intervention to the policy outcomes sought.
- 3.15 As indicated in paragraph 3.12, the Council references previously unsuccessful attempts at regeneration as having influenced the current scope and ambition of Eden Project Morecambe. While this provides useful context, the relevance of these previous proposals to the current policy development process and need for the subsidy is unclear. In our view, the Assessment could more clearly explain the link to current decision-making processes (which may include consideration of a more relevant timeframe).
- 3.16 Further information on options and evidence describing the need for the subsidy is presented within the supporting evidence, including an analysis of long and short listed policy options prepared in the Outline Business Case and Strategic Case for the Levelling Up Fund application. The Assessment could be strengthened by including or referencing this analysis.

## **Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change**

- 3.17 The second step involves an evaluation of the Assessment against:
- (a) Principle C: First, subsidies should be designed to bring about a change of economic behaviour of the beneficiary. Second, that change, in relation to a

subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy; and

- (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.<sup>15</sup>

### Counterfactual assessment

- 3.18 In assessing the counterfactual, the Statutory Guidance explains that public authorities should assess any change against a baseline of what would happen in the absence of the subsidy (the ‘do nothing’ scenario’).<sup>16</sup> This baseline would not necessarily be the current situation, but what would likely happen in the future – over both the long and short term – if no subsidy were awarded.
- 3.19 The Assessment describes a counterfactual in which Eden Project Morecambe would not proceed. It explains that without the subsidy, Eden Project International would be unable to secure all the funding through private sector investment. Therefore, Eden Project Morecambe would not be delivered. On this basis, the Assessment notes that it is very likely that the site will continue to remain undeveloped and ‘certainly will not be developed with such a transformational attraction for the area.’
- 3.20 The Assessment discusses two historical failed developments on the site, dating from 2005 and 2013 to support the counterfactual. However, while these examples provide context for the historical activities (or lack thereof) on the site, the Assessment does not present a forward-looking assessment of what would happen to the site in the absence of the subsidy aside from consideration of the Eden Project itself.
- 3.21 We consider that the Assessment could be improved by setting out a broader consideration of what might happen to the Morecambe site in the absence of the subsidy beyond abandoning Eden Project Morecambe. This could include setting out different redevelopment and investment possibilities for the site and the wider Morecambe area. While these may be limited (as evidenced from historical investments), it would be beneficial to address this directly and to clearly state why the outcome of historical failed developments remains relevant to current considerations.

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<sup>15</sup> Further information about the Principles C and D can be found in the [Statutory Guidance](#) (paragraphs 3.57-3.71) and the [SAU Guidance](#), paragraphs 4.12-4.14.

<sup>16</sup> [Statutory Guidance](#), paragraphs 3.60-3.61.

## Changes in economic behaviour of the beneficiary

- 3.22 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.<sup>17</sup> In demonstrating this, public authorities should consider the likely change or additional net benefit.
- 3.23 The Assessment articulates that the intended change in behaviour is the development of the Morecambe site by Eden Project International, via the implementation of the Eden Project Morecambe. The Assessment argues that, absent the subsidy, Eden Project International would be unable to raise the required funds to carry out the development as a result of the viability gap identified.
- 3.24 To support this position, the Assessment explains how financial modelling has been undertaken to analyse the impact on the project if the subsidy was not to be granted. It notes that the sensitivity analysis undertaken in the financial modelling demonstrates that the project would be unable to generate operating profits sufficient to cover a greater level of commercial borrowing, thereby demonstrating the importance of the subsidy to the project's success. The explanations within the Assessment are supported by the provision of supporting evidence, including the financial modelling and updated commentary on the financial modelling following the change in interest rate environment.<sup>18</sup>
- 3.25 We consider that the financial modelling carried out for the Assessment is appropriate and the inclusion of the analysis in the Assessment provides a good evidence base for the subsidy. However, the Assessment could be improved by providing additional evidence and analysis used to select the most likely counterfactual, which would in turn strengthen the discussion of the change in economic behaviour of the beneficiary.

## Additionality assessment

- 3.26 According to the Statutory Guidance, 'additionality' means that subsidies should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.<sup>19</sup>
- 3.27 In its discussion of additionality – as with the counterfactual – the Assessment positions the provision of the subsidy as being the difference between Eden Project Morecambe going ahead or being cancelled. It describes the costs supported by the subsidy as capital investment costs, including land, acquisition,

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<sup>17</sup> [Statutory Guidance](#), paragraph 3.64.

<sup>18</sup> The financial modelling was initially carried out in July 2022. Since July 2022, the [Bank of England](#) has increased the Official Bank Rate significantly. The rate during July 2022 was 1.25% (set on 16 June 2022), and had increased to 5.25% by 3 August 2023. The significant increase in the Official Bank Rate has resulted in an overall increase in the cost of borrowing in the UK.

<sup>19</sup> [Statutory Guidance](#), paragraphs 3.63-3.67.

construction, professional fees and fit-out costs. It explains that these are one-off investment costs and do not relate to business-as-usual costs.

3.28 The Assessment explains that, to date, Eden Project International has only undertaken preparatory work at the site, and the costs of the project are not yet committed. It explains that the financial viability gap of Eden Project Morecambe (as set out in Step 3) is such that without the subsidy there would be no commercial rationale for the project, and that the project and relevant works cannot proceed until funding is secure. On this basis, the Assessment explains that these costs would not be funded without the subsidy.

3.29 We consider that the Assessment clearly sets out its position on why the subsidy will bring about a change over and above what would occur anyway – ie it will enable the beneficiary to proceed with Eden Project Morecambe. The Assessment provides a clear discussion of the costs that will be funded by the subsidy reinforced by appropriate supporting evidence,<sup>20</sup> and benefits from a clear discussion of the one-off nature of the costs and an explanation that the subsidy is not expected to fund ongoing business-as-usual costs.

### **Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible**

3.30 The third step involves an evaluation of the assessment against:

- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
- (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.<sup>21</sup>

#### **Proportionality**

3.31 As set out in paragraph 1.7, the total cost of the initial phase that the subsidy will go towards is estimated at £100.9 million. The Assessment provides evidence from two third-party valuations showing an expected completed asset value for Eden Project Morecambe of around £50 million. EPI will raise around £50 million from a mix of private sources. This results in a viability gap of £50.9 million to deliver the project given the costs of construction.

3.32 The Assessment notes how this viability gap has been reduced to the minimum necessary by setting out previous steps taken to reduce the total project size and

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<sup>20</sup> For example, a report on cost estimates from an external third party, including cost categorisations.

<sup>21</sup> Further information about the Principles B and F can be found in the [Statutory Guidance](#) (paragraphs 3.72- 3.108) and the [SAU Guidance](#) (paragraphs 4.15-4.19).

subsidy intensity sought from the original plans as much as possible without compromising the ability of the project to deliver on its objectives.<sup>22</sup> Further reduction in costs and therefore the subsidy required is unlikely as, in particular:

- (a) further reduction in the scale of the project would likely reduce the ability of Eden Project Morecambe to achieve the necessary scale and scope to deliver the 'world-class' attraction required to achieve the policy objective;
- (b) a further reduction of the subsidy below £50 million will compromise Eden Project International's ability to raise the necessary private sector debt and philanthropic funds to deliver Eden Project Morecambe by damaging project financing confidence; and
- (c) sensitivity testing of the proposed grant-to-debt mix undertaken by an external consultancy concludes that reducing the subsidy level below £50 million would likely make Eden Project Morecambe financially unviable.

3.33 The Assessment also notes that project costs have been re-baselined upwards in line with inflation. The Assessment states that 'value engineering' will be needed to reduce the target costs down to the original levels.

3.34 Overall, we consider that the Assessment clearly sets out why the subsidy is the minimum necessary to achieve the stated policy objective, with appropriate detail and supporting evidence. However, we note the Assessment could have been improved with respect to the equity rationale under Step 1.

3.35 Finally, we consider that the Assessment could be further strengthened by setting out how reducing costs back down following the re-baselining will be achieved given the statement that there is no reasonable scope to reduce costs further below the original £100.9 million.

### **Design of subsidy to minimise negative effects on competition and investment**

3.36 The Assessment discusses the subsidy design considerations outlined in Chapter 3 of the Statutory Guidance in turn. It covers some performance criteria, alternative subsidy instruments that were considered and why these were discounted, as well as provides some detail on the breadth of beneficiaries. It also includes considerable detail on the size of the subsidy.

3.37 The Assessment outlines the duration of the subsidy, which is expected to be two years, and submits that the nature of costs being covered is limited to investment costs and not operating costs. It further describes ringfencing provisions and sets

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<sup>22</sup> Supporting evidence shows that the overall development has been phased rather than strictly reduced, with a second phase involving further costs to be completed after a period of successful operation. The Assessment states that 'Future phases of development are planned but are out of scope of this proposed subsidy award.'

out some monitoring and evaluation plans that the Assessment states will be included in the grant funding agreement.

- 3.38 Taken as a whole, we consider that the Assessment covers subsidy design considerations appropriately. However, the Assessment could be improved by providing additional detail on some subsidy design aspects, for example, on clawback provisions relating to excessive profits as well as on monitoring and evaluation provisions. We note that more detail on the latter, for instance, can be found in the supporting evidence and the Assessment would be improved by including this detail or by more directly referencing it.

### **Assessment of effects on competition or investment**

- 3.39 In identifying the market that Eden Project Morecambe may affect, the Assessment draws on a consultancy report commissioned by the Council showing that the majority of visitors are expected to come from within a two-hour drive time, although visitors from the wider UK are also expected to be an important customer segment. This is supported by two other third-party reports.
- 3.40 The Assessment's central argument is that the 'distinctive' nature of Eden Project Morecambe will minimise negative effects on competition as it will attract a different consumer cohort to other visitor attractions in the North West of England. Further, the Assessment argues that the additional visitors it attracts will drive growth for all visitor attractions in the region. To support this, the Assessment refers to a survey of around 2,000 respondents carried out for one of the third-party reports. Survey respondents indicated that they would stay longer in the area, with around 78% stating that they would make their visit to Eden Project Morecambe additional to other attractions in the North West of England. Further, a majority of the respondents that would most likely visit Eden Project Morecambe as part of a short break said it would encourage them to choose the North West of England over elsewhere in the UK.
- 3.41 Additionally, the Assessment describes several arguments which lead the Council to believe that diversion of visitors from other tourist attractions due to Eden Project Morecambe will be low. In particular:
- (a) evidence from Eden Project Cornwall is used as a case study for the likely effects of Eden Project Morecambe. This shows an increase in overall visitors to Cornwall coinciding with its opening as well as residential and commercial property value uplifts for a 30-mile radius around the attraction. The Assessment argues this demonstrates that Eden Project Cornwall has delivered net benefits rather than displacing existing economic activity;

- (b) projected levels of growth for the visitor economy in the North West of England and the UK more widely;<sup>23</sup>
- (c) the different nature of the product offer of Eden Project Morecambe compared to other visitor attractions in the North West of England that also appeals to new consumer appetites (eg eco-tourism);<sup>24</sup> and
- (d) broad support from local tourist boards, local authorities' leaders and local stakeholders (such as through proposed joint marketing proposals and other forms of collaboration).

3.42 Overall, we consider the Assessment covers impacts on competition or investment in detail. In particular, the third-party customer survey and the Eden Project Cornwall case study provide helpful evidence on Eden Project Morecambe's expected market-expanding effects.

3.43 While recognising the difficulty in identifying a beneficiary's closest competitors in cases where products are as diverse as in the case of visitor attractions,<sup>25</sup> we note that the Assessment could be improved by more clearly identifying Eden Project Morecambe's closest competitors. In particular, the Assessment currently includes contradictory statements on this. For example, in some places the Assessment states that the main competitors include any type of discretionary activity, such as shopping, while other parts of the Assessment focus on visitor attractions in the North West of England.

#### **Step 4: Carrying out the balancing exercise**

3.44 The fourth step involves an evaluation of the Assessment against subsidy control Principle 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.<sup>26</sup>

3.45 The Assessment sets out some quantification of benefits by detailing the various outputs and outcomes resulting from Eden Project Morecambe, including the number of jobs and apprenticeships created, the amount generated from off-site visitor spend, and social value generated.

3.46 The Assessment also considers the potential negative impact of Eden Project Morecambe on competition and investment (the relevant market in this case being

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<sup>23</sup> Subsidies are less likely to cause significant distortions to competition and investment in growing markets. See [Statutory Guidance](#), paragraphs 17.61-17.63.

<sup>24</sup> Subsidies are less likely to have large effects on the suppliers of competitive alternatives that are more differentiated from the products and services of the beneficiary. See [Statutory Guidance](#), paragraphs 17.33-17.40.

<sup>25</sup> See [Statutory Guidance](#), paragraph 17.35.

<sup>26</sup> See [Statutory Guidance](#) (paragraphs 3.110-3.111) and [SAU Guidance](#) (paragraphs 4.20-4.22) for further detail.



the Northwest tourism and visitor attraction market, in the Council's view), describing several arguments that reduce the likelihood of the risk to trade diversion and market distortion.

- 3.47 The Assessment concludes that the projected benefits significantly outweigh the potential negative impact on competition or investment and that the large number of mitigation arguments reduce the possible effect on risk of trade diversion and market distortion.
- 3.48 In our view, the analysis in Step 4 provides some useful quantitative evidence on the beneficial effects of the subsidy and considers the geographical and distribution impacts of the subsidy within the UK. However, the Assessment could have been strengthened by more explicitly demonstrating how the conclusion that the benefits outweigh the potential negative impacts on competition and investment was reached. We note that the supporting evidence includes value for money and Benefit Cost Ratio analysis; the Assessment could have been strengthened by including this or referencing it.
- 3.49 Finally, the Assessment would be improved by considering the impact on international trade and investment.

### **Other Requirements of the Act**

- 3.50 This step in the evaluation relates to the requirements and prohibitions set out in Chapter 2 of Part 2 of the Act where these are applicable.<sup>27</sup>
- 3.51 The Council confirmed that it had not found any of the requirements of Chapter 2 to be relevant to its Assessment.

**24 January 2024**

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<sup>27</sup> See [Statutory Guidance](#), chapter 5.