

Subsidy Advice Unit Report on the proposed subsidy to BMW UK Manufacturing Limited

Referred by Department for Business and Trade

26 January 2024

Subsidy Advice Unit

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 Department for Business and Trade's (DBT) assessment of compliance of the proposed subsidy to BMW UK Manufacturing Limited (BMW) with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).¹
- 1.3 This report is based on the information provided to the SAU by DBT in its Assessment and evidence submitted relevant to that Assessment.
- 1.4 This report is provided as non-binding advice to DBT. The purpose of the SAU's report is not to make a recommendation on whether the proposed subsidy to BMW should be given, or directly assess whether it complies with the subsidy control requirements. DBT is ultimately responsible for giving 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 scheme/subsidy²

- 1.6 DBT is proposing to provide BMW with a direct grant of £75 million (under the exceptional Regional Growth Fund (eRGF)), towards a total project cost of £575 million,³ for the purpose of modifying and adapting BMW's existing manufacturing facilities at Plant Oxford for the production of two new electric models of the MINI (MINI EVs) from 2026. The subsidy represents 13% of the project costs.
- 1.7 Plant Oxford currently produces Internal Combustion Engine (ICE) models of the MINI, for which demand is expected to decline as electric vehicles (EVs) gain market share and the MINI moves towards becoming an all-electric brand. DBT therefore intends the subsidy to help secure the future of the Oxford plant as well as BMW's Swindon plant which supplies it.

¹ 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.

² [Referral of the proposed subsidy to BMW UK Manufacturing Limited by the Department for Business and Trade - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-the-proposed-subsidy-to-bmw-uk-manufacturing-limited-by-the-department-for-business-and-trade)

³ BMW has publicly announced a £600 million investment at Plant Oxford, however £575 million was considered as the total eligible cost for the eRGF grant.

SAU referral process

- 1.8 On 6 December 2023, DBT requested a report from the SAU in relation to the proposed subsidy to BMW.
- 1.9 DBT explained⁴ that the subsidy is a Subsidy of Particular Interest because the manufacture of motor vehicles is classed as a sensitive sector⁵ and the size of the subsidy exceeds £5 million.
- 1.10 The SAU notified DBT on 12 December 2023 that it would prepare and publish a report within 30 working days (ie on or before 26 January 2024).⁶ The SAU published details of the referral on 12 December 2023.⁷

⁴ In the information provided under section 52(2) of the Act

⁵ Statutory Guidance, paragraph 10.10

⁶ Sections 53(1) and 53(2) of the Act.

⁷ [Referral of the proposed subsidy to BMW UK Manufacturing Limited by the Department for Business and Trade - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-the-proposed-subsidy-to-bmw-uk-manufacturing-limited-by-the-department-for-business-and-trade)

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 In summary, we consider that the Assessment could be strengthened as follows:
- (a) In relation to Step 1, we consider that the Assessment could be improved by explaining why all of the potential benefits of the subsidy, or the social costs that DBT identified, constitute market failures requiring government intervention.
 - (b) In relation to Step 2, we consider that the Assessment could be strengthened by describing in more detail, with supporting evidence, how the counterfactual was selected, and by explaining whether (and to what extent) DBT has conducted further analysis to understand BMW's future plans in relation to Plant Oxford.
 - (c) In relation to Step 3, the Assessment could be improved by explaining how DBT interrogated BMW's internal policies which are referenced as support for the size of the subsidy. In addition, the Assessment could be improved by identifying the relevant markets and competitors, and then considering the potential competitive advantage that the subsidy could give to BMW in the transition to EVs. In this regard, the Assessment could also further explain and evidence the conclusions which have been reached.
 - (d) In carrying out the balancing test under Step 4, the Assessment could be improved if it explained how each of the identified benefits of the subsidy are linked to the policy objectives and, in particular, if it were to provide a more detailed and systematic analysis of any negative effects on both UK competition and investment, and international trade and investment.
- 2.3 Our report is advisory only and does not directly assess whether the proposed subsidy to BMW complies with the subsidy control requirements. The report does not constitute a recommendation on whether the proposed subsidy to BMW should be implemented by DBT. We have not considered it necessary to provide any advice about how the proposed scheme may be modified to ensure compliance with the subsidy control requirements.⁸

⁸ Section 59(3)(b) of the Act.

3. The SAU's Evaluation

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

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.⁹

Policy objectives

3.3 The Assessment sets out two policy objectives of the Subsidy:

- (a) to achieve a change in economic behaviour by BMW which will support the transition of the UK automotive manufacturing industry to the production of EVs chiefly in the form of funding for capital investment in new tooling, machinery, and re-training/upskilling of employees in the sector;
- (b) to prevent a potential economic shock to the local area and economy that a closure or reduction in scale of the operations of BMW would have.

3.4 The subsidy is a discretionary grant award that is part of the eRGF.¹⁰

3.5 In our view, the Assessment clearly sets out the specific policy objectives of the subsidy.

Market failure and equity objective

3.6 The Statutory Guidance sets out that:

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

¹⁰ In response to clarifications sought by the SAU, it was explained that eRGF support is discretionary and is only awarded in 'exceptional economic circumstances' including where applications are 'associated with a significant opportunity related to internationally mobile investment' or are 'responding to/avoiding major economic shocks'.

- (a) market failure occurs where market forces alone do not produce an efficient outcome.¹¹
- (b) equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.¹²

Market Failure

- 3.7 The Assessment identifies the following as positive externalities (which would not be accounted for by BMW when making the investment):
- (a) the investment constitutes a strategic gain for the UK government in helping to accelerate its progress towards the UK's 2050 Net Zero target;
 - (b) there are wider social benefits of the decarbonisation of the automotive sector, such as improving overall health and environment outcomes. The Assessment recognises these wider social benefits will arise irrespective of whether EVs are produced domestically or overseas;
 - (c) the investment will realise wider economic and social benefits to the regional economy (described as 'levelling up' benefits). These include generating clean growth, employment and world class training in an increasingly high demand sustainable sector, as well as embedding levelling-up employment and skills in central southern England.
- 3.8 In our view, the Assessment does not clearly demonstrate that the potential benefits of the subsidy are also positive externalities constituting a market failure that requires government intervention. The Assessment could be improved by better explaining and evidencing why BMW would not take account of these benefits. The Assessment could explain why helping to achieve the UK's Net Zero target is an externality, given that environmental benefits of transitioning to EVs would arise regardless of the manufacturing location. The Assessment could also provide supporting evidence for the wider regional economic and social benefits in this case and better explain why these constitute a market failure that the subsidy would remedy.
- 3.9 The Assessment states that giving the subsidy would help avoid the following negative externalities, the social costs of which BMW would not consider as part of its investment decision:
- (a) a loss of jobs at Plant Oxford, which would impact the quality of life of those individuals and their families, as well as a reduction in disposable income

¹¹ [Statutory Guidance](#), paragraphs 3.35-3.48.

¹² [Statutory Guidance](#), paragraphs 3.49-3.53.

which could have a wider spillover effect on the local economy, due to reduced demand and employment in the area;

- (b) a reduction of production volumes at the Plant, which would negatively impact the wider UK automotive industry as it would represent a significant loss of business to firms in BMW's supply chain;
- (c) a negative perception of the UK manufacturing industry, sending negative signals to the wider investment community, potentially deterring future investments.

3.10 In our view, the Assessment has not clearly demonstrated the existence of negative externalities constituting a market failure that requires government intervention. Although the Assessment sets out certain impacts on the local economy and wider supply chain if DBT were not to give the subsidy, we consider that it could have explained in more detail the impact on the wider UK automotive industry. The Assessment could also be improved by explaining why these impacts amount to a market failure that would create a need for this intervention.

3.11 The Assessment does not provide evidence supporting the statement that not providing the subsidy would give rise to negative perceptions and investment signals around investment in UK manufacturing, or explain why this would constitute a market failure that would create a need for this intervention.

3.12 Overall, in our view the Assessment would be strengthened if it followed the Statutory Guidance more closely in explaining the relevant market failures and providing supporting evidence. The Assessment has not clearly demonstrated the existence of positive and negative externalities constituting market failures that require government intervention. To be strengthened, the Assessment could clearly identify how third parties will be affected and explain and evidence how the existence of such externalities means that market forces alone will not deliver an efficient outcome.

3.13 Further, while the Assessment discusses the impact of a loss of employment on the quality of life of affected workers and the local economy, it does not explicitly identify an equity objective of the subsidy. Given the policy objective to prevent an economic shock to the local area, DBT could have considered if an equity objective was relevant.

Consideration of alternative policy options and why the proposed subsidy to BMW is the most appropriate and least distortive instrument

3.14 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.¹³

- 3.15 The Assessment states that a subsidy in the form of a grant is the most appropriate mechanism to secure the project for Plant Oxford.
- 3.16 The Assessment considers whether a commercial loan could have been an alternative option to a subsidy. This was dismissed as it was considered that a loan would likely not influence BMW's decision to invest in the plant because (among other things) it would negatively impact the project's internal rate of return (IRR).
- 3.17 The only alternative instrument discussed in the Assessment is a commercial loan. In our view, the Assessment would be strengthened if it explained whether other alternative instruments have been considered, and, if they were, explaining why those alternatives were not an appropriate means of achieving the policy objectives.
- 3.18 Moreover, given the weight of the IRR figures provided by BMW as being necessary for it to undertake the investment, and subsequently used to support DBT's conclusion that a commercial loan was not a viable option, we consider that the Assessment could be improved by explaining how different levels of IRR were evaluated and by explaining whether and how these figures were tested by DBT.

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

- 3.19 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.¹⁴

Counterfactual assessment

- 3.20 In assessing the counterfactual, the Statutory Guidance explains that public authorities should consider what would happen in the absence of the subsidy, the

¹³ [Statutory Guidance](#), paragraphs 3.54-3.56.

¹⁴ Further information about the Principles C and D can be found in the [Statutory Guidance](#) (paragraphs 3.57 to 3.71) and the [SAU Guidance](#) (paragraphs 4.12 to 4.14).

'do nothing' scenario'.¹⁵ This baseline for this comparison 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.

- 3.21 The Assessment sets out a counterfactual in which BMW would choose an alternative location for the production of new MINI EVs. Plant Oxford would be left reliant on the production of ICE models, a mature market subject to declining demand as the sale of new ICE vehicles will be banned by 2035. Plant Oxford would thus reduce production and BMW would then suspend production at the plant.
- 3.22 The Assessment explains that the alternative location would be more advantageous. [redacted].¹⁶
- 3.23 The Assessment also considers the potential sale of the site for development purposes or the sale to a competitor. It concludes that there are few (if any) competitors with the required resources and strategic motivation to acquire the plant, that such a sale would not be a smooth process, and that it would not avoid major job losses.
- 3.24 We consider that the Assessment could be strengthened by explaining in more detail, with relevant supporting evidence, how the counterfactual was selected.
- 3.25 We consider that the Assessment could describe in more detail whether and how claims by BMW about its long-term production plans and future investment intentions were assessed to be credible. The Assessment could consider in more detail BMW's risks and opportunities (including potential reputational impacts and other strategic risks and opportunities) from closing Plant Oxford (and the potential impact on the plants in BMW's supply chain at Swindon and Hams Hall) and choosing an alternative location. In particular, the Assessment could be improved by explaining in more detail: [redacted].
- 3.26 Having concluded that it is most likely that Plant Oxford would close without the subsidy, we consider that the Assessment could further explain and evidence how DBT concluded on the likelihood of a sale of the plant (for development purposes or to a competitor) and the related impact on the policy objective.

¹⁵ [Statutory Guidance](#), paragraphs 3.60-3.62

¹⁶ The SAU has excluded from this published version of the report information which it considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [redacted]

Changes in economic behaviour of the beneficiary

- 3.27 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.¹⁷ In demonstrating this, public authorities should consider the likely change or additional net benefit.
- 3.28 The Assessment explains that the intended change in economic behaviour is BMW investing in EV production at Plant Oxford against a counterfactual where it would close Plant Oxford.
- 3.29 The Assessment states that the grant will be paid in arrears ‘on verifiable capital spend so BMW have to incur qualifying expenditure on the project in order to draw down the grant’. Further, the Assessment states that there is also a “clawback” facility written into the grant agreement.
- 3.30 We consider that the expected change in economic behaviour would be supported by these design features. In our view, the Assessment articulates the expected change in behaviour against the counterfactual.
- 3.31 It also explains at a high-level how the change in economic behaviour is expected to support the specific policy objectives being pursued. We consider that the Assessment could be improved by comparing in more detail the number of jobs which would be created or safeguarded against the counterfactual. It could also describe how the monitoring and enforcement provisions (such as the clawback provision) would contribute to achieving the policy objectives over the short-term and long-term.

Additionality assessment

- 3.32 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.¹⁸
- 3.33 We consider that, as DBT has formed the view that the most likely counterfactual is that BMW would close Plant Oxford and the subsidy would incentivise it to keep Plant Oxford open and invest in new tooling, machinery, and training, the Assessment adequately explains how the subsidy will not be used to finance a project which the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.

¹⁷ [Statutory Guidance](#), paragraph 3.64

¹⁸ [Statutory Guidance](#), paragraphs 3.63-3.67.

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

- 3.34 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.¹⁹

Proportionality

- 3.35 As described under Step 1 (paragraph 3.3), the policy objective(s) are to change the economic behaviour of BMW to support the transition of the UK automotive manufacturing industry to the production of EVs, and to avoid the negative impact of an economic shock if Plant Oxford were to close.
- 3.36 The Assessment seeks to demonstrate that the subsidy is proportionate to the policy objective by explaining that the subsidy equates to around 13% of the total investment costs of the project, with BMW funding the majority of the cost. It refers to the Statutory Guidance, which indicates how subsidies with less than 70% intensity are less likely to be distortive.²⁰
- 3.37 The Assessment states that the subsidy represents the minimum necessary to achieve the policy objectives, in particular that it is the minimum required to achieve the desired change in behaviour of BMW. Relying on a due diligence report provided by an external consultant, it explains how the subsidy is providing the minimum funding required to bridge the funding gap between the total project cost and the financial constraints arising from BMW's internal financial policies. We consider that the Assessment would be improved by explaining the steps DBT has taken to challenge the extent to which these policies were applicable to the investment decision (e.g. by providing evidence that these policies apply across the BMW Group).
- 3.38 Finally, the Assessment describes a number of elements of subsidy design relevant to Principle B including the funding being ringfenced to certain activities, funding being paid in arrears on qualifying spend only, a clawback mechanism, and fixed financial penalties based on specific criteria. We consider, however, that the Assessment could be improved by explaining more explicitly how these

¹⁹ Further information about the Principles B and F can be found in the [Statutory Guidance](#) (paragraphs 3.72 to 3.108) and the [SAU Guidance](#) (paragraphs 4.15 to 4.19).

²⁰ [Statutory Guidance](#), paragraph 3.88.

elements of the subsidy design show that the subsidy is both proportionate and limited to the minimum necessary.

- 3.39 The Assessment would be improved by considering if the beneficiary of this subsidy (BMW) has received, or is expected to receive, any other subsidies for similar purposes, when assessing the proportionality of the subsidy.²¹

Design of subsidy to minimise negative effects on competition and investment

- 3.40 The Assessment provides various statistics aiming to demonstrate that the size of the subsidy is small relative to the size of a number of relevant markets. The Assessment also states that the subsidy is estimated to be around 13% of the total capital costs of converting Plant Oxford's manufacturing capabilities, with BMW funding the remainder. The Assessment refers to the Statutory Guidance in concluding that, given the subsidy intensity is low at around 13%, it is therefore less likely to be distortive. We consider that the statistics provided in the Assessment relate to overly broad markets, without relevant evidence or explanation as to why they are reasonable comparators.
- 3.41 We consider that while many of the relevant characteristics from the Statutory Guidance are mentioned in the Assessment, these are not clearly drawn together with competitive impacts explained under Principle F. The Assessment does not systematically discuss the subsidy characteristics listed in the Statutory Guidance.
- 3.42 Our view is that the Assessment should explain how the subsidy has been designed to minimise any negative effects on competition and investment within the UK, considering the subsidy characteristics listed in the Statutory Guidance and following Annex 3 of the Statutory Guidance.

Assessment of effects on competition or investment

- 3.43 The Assessment concludes that there are no significant impacts on competition on the basis that forecast volumes for BMW will not change as a result of the subsidy, and the MINI EV will continue to compete in a highly competitive market as the sector transitions from ICE to EV. The Assessment also states that supporting evidence provided by DBT demonstrates that the subsidy will likely have a beneficial effect on MINI's market share (both domestically and overseas) but any negative effect would be unlikely to be material.
- 3.44 The Assessment also highlights that the subsidy forms part of a wider programme of support to the automotive sector, including major manufacturers such as BMW. It explains that, given this context of other manufacturers (potentially competitors to BMW) also receiving support, any distortionary impacts of the subsidy would be

²¹ [Statutory Guidance](#), paragraphs 3.91 and 3.92

limited. It further explains that the subsidy will not impact the market structure or improve MINI's competitive position as the market transitions from ICE to EVs, as the government is also supporting other manufacturers who are direct competitors to BMW. The Assessment explains that if BMW alone were to receive support, there could be a negative impact on competition as BMW would have a competitive advantage which could potentially impact on the profitability and employment of other manufacturers. However, DBT does not think this situation will occur.

- 3.45 We consider, however, that the Assessment could be improved by expanding on and evidencing its conclusions, particularly in relation to the materiality of any impacts. The Assessment could be further improved by providing more information on the relative size and comparability of government funding for other EV manufacturers, as well as the impact on competitors who are not in receipt of government funding. Also, while the Assessment states other funding would limit any distortionary impacts on competition, we consider that it should consider the competitive impacts of the subsidy on a standalone basis.
- 3.46 Overall, we consider that there are a number of significant areas for improvement in relation to the assessment of the effects of the subsidy on competition and investment against the subsidy control principles. In particular, the relevant markets and main competitors (and if they are competitors to MINI, BMW, or both) are not clearly identified, and there is little explanation of any potential impacts on competition. For the most part, the Assessment provides a range of statistics and context, but it fails to clearly explain what competition impacts have been considered, how large they could be, and who might be adversely impacted. The Assessment could be improved by clearly explaining how BMW could gain a competitive advantage in the transition to EVs, and explaining how likely or significant this advantage could be.

Step 4: Carrying out the balancing exercise

- 3.47 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.²²
- 3.48 The Assessment refers to a cost-benefit analysis (CBA) to weigh up the relevant costs and benefits of the subsidy. DBT states that the subsidy will create and safeguard direct production roles and support a significant number of jobs. The

²² See [Statutory Guidance](#) (paragraphs 3.109 to 3.117) and [SAU Guidance](#) (paragraphs 4.20 to 4.22) for further detail.

Assessment also refers to various ‘unmonetisable and strategic’ benefits (which were not part of the CBA), including:

- (a) supporting other ‘induced’ roles in the local area;
- (b) sustaining demand for the wider UK automotive industry;
- (c) avoiding the fuller supply chain impact that closure would have on the UK automotive industry;
- (d) as the auto industry transition toward producing EVs, ensuring the UK maintains its existing market share and remains competitive, both domestically and internationally, at a time when the sector faces challenging headwinds; and
- (e) long-term environmental gains, including by supporting ‘green jobs and clean growth by helping to electrify the UK auto industry’.

3.49 In our view, the Assessment sets out the main benefits of the subsidy. However, it would be improved by clearly identifying whether all benefits, and in particular all of the ‘unmonetisable and strategic benefits’, relate to the policy objectives as set out under Step 1. The Assessment could also clarify how all of these claimed benefits might materialise as a direct result of the subsidy – for example, how the subsidy will ‘sustain demand’ for the industry (beyond the immediate BMW supply chain) or how it will help the UK as a whole to ‘remain competitive’ in the transition to EV production.

3.50 In terms of negative effects, the Assessment refers to the impact on trade and discusses in particular the impact on the alternative location, the impact on the UK market, and the impact on domestic competition.

3.51 Although reference is made to ‘potential import volumes of MINI vehicles’ being ‘foregone’, the Assessment does not provide a substantive assessment of the impact on international trade more generally. For example, the Assessment could consider the negative effects on international trade in terms of any potential for UK exports of EVs to increase at the expense of manufacturers located in other countries, or the effect on other manufacturers who import EVs into the UK and compete with BMW in the downstream retail market.

3.52 While the Assessment does consider the potential negative impact on the alternative location, it could be improved by considering negative effects on international investment more generally. In this regard, the Assessment might also have drawn on information it provided in Step 3, which addresses the fact that a number of other countries are introducing supports for companies in the transition to EVs and it could have considered the extent to which this might mitigate any negative effects on investment.

- 3.53 In relation to potential effects on domestic competition, DBT state that it does not consider that the subsidy will give rise to a change in the market structure or improve the MINI's competitive position in the market. The Assessment refers in particular to the fact that there are other EV manufacturers receiving government support and the fact that significant growth has been forecast for the industry which will 'further militate against any negative impact on competitors'. However, in considering the potential negative effects on competition, the Assessment might have considered the relative size and comparability of government funding for other manufacturers, as well as the impact on competitors who are not in receipt of government support. While it is noted that the industry is expected to grow significantly, it is not clear how such growth would mitigate any competitive distortions that might arise from the subsidy.
- 3.54 Overall, the Assessment concludes that the positive effects outweigh the negative effects. However, the Assessment could be strengthened if it had been more consistent in explaining how each of the claimed positive effects of the subsidy are linked to its policy objectives, and if the negative effects included a more systematic consideration of negative effects on both domestic competition and investment, and on international trade and investment.

Other Requirements of the Act

- 3.55 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.²³
- 3.56 DBT confirmed that it has not found any of the requirements of Chapter 2 to be relevant to its Assessment.

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²³ [Statutory Guidance](#), chapter 5.