Subsidy Advice Unit Report on the proposed DRIVE35 Scale-Up Grants scheme

Referred by UK Research and Innovation

13 August 2025

Subsidy Advice Unit

Part of the Competition and Markets Authority

CONTENTS

1. The Referral

1.1 On 26 June 2025, UK Research and Innovation (UKRI) requested a report from the Subsidy Advice Unit (the SAU)[1] in relation to the proposed DRIVE35 Scale-Up Grants scheme (the Scheme) under section 52 of the Subsidy Control Act 2022 (the Act).[2]

1.2 This report evaluates UKRI's assessment of compliance (the Assessment) of the Scheme with the requirements of Chapters 1 and 2 of Part 2 of the Act.[3] It is based on the information and evidence included in the Assessment.

1.3 This report is provided as non-binding advice to UKRI. It does not consider whether the Scheme should be implemented, or directly assess whether it complies with the subsidy control requirements.

Summary

1.4 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]).

1.5 In our view, UKRI has considered in detail the compliance of the Scheme with the subsidy control principles. In particular, the Assessment:

(a) articulates the Scheme's policy objective in the context of its wider strategic objectives (Principle A);

(b) clearly describes and evidences what would be likely to happen if the Scheme was not implemented (Principle C); and

(c) clearly explains and evidences how the Scheme would change the beneficiaries' economic behaviour and that the Scheme brings about changes that would not have occurred or that would have occurred in a longer timeframe absent the Scheme (Principles C and D).

1.6 However, we have identified the following areas for improvement:

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[1] The SAU is part of the Competition and Markets Authority

[2] Referral of the proposed DRIVE35 Scale-Up Grants scheme by UK Research and Innovation - GOV.UK

[3] 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.

(a) the Assessment should discuss alternative funding options in more detail (Principle E);

(b) the Assessment should discuss the product markets in which direct potential Scheme beneficiaries would most likely operate rather than looking mainly at vehicle manufacturers lower down the supply chain, and, to the extent possible, conduct an assessment of competition in these markets (Principle F); and

(c) the Assessment should ensure that only those benefits that relate to the specific policy objective are considered in the balancing exercise, and that negative effects identified are consistent with the analysis in Step 3. The Assessment should undertake a commensurate exercise to identify examples of how the Scheme may impact international trade and investment. It should also explicitly weigh the benefits and negative effects against each other (Principle G).

1.7 We discuss these areas below, along with other issues, for consideration by UKRI in finalising its assessment.

The referred scheme

1.8 The Scheme will provide research and development (R&D) funding in the form of grants to fast-track near-commercial pilots for zero-emission vehicle (ZEV) technology, to help businesses scale up, by bridging the gap between initial R&D and mass production. It is expected to run between September 2025 and March 2030.

1.9 This Scheme is one of the three pillars of DRIVE35,[4] together with the Innovation Grants Scheme[5] and the Transformation Grants scheme.[6] DRIVE35 seeks to deliver funding for ZEV manufacturing and associated supply chains, as part of the Advanced Manufacturing Sector Plan,[7] itself part of the UK's Modern Industrial Strategy.[8] DRIVE35 follows on from previous automotive R&D programmes, including the APC (Advanced Propulsion Centre)[9] R&D scheme.

1.10 Funding of up to £500m will be committed to automotive R&D as part of DRIVE35. Up to £150m of the funding will be allocated to Scale-Up Grants, with individual

[4] Backing British Industry: Government launches £2.5bn DRIVE35 programme to power UK auto investment and jobs - GOV.UK
[5] Referral of the proposed Automotive Innovation Grants scheme by UK Research and Innovation - GOV.UK
[6] Referral of the proposed Automotive Transformation Grants scheme by the Department for Business and Trade - GOV.UK
[7] Advanced Manufacturing Sector Plan - GOV.UK
[8] The UK's Modern Industrial Strategy 2025 - GOV.UK
[9] The APC is a joint initiative between the automotive industry and UK government, launched in 2013 as part of a strategy for the sector; see Driving success: UK automotive strategy for growth and sustainability - GOV.UK.

subsidies between £2m and £20m and an intervention rate of up to 50% of project costs for each individual subsidy.

1.11 This funding is open to applicants across ZEV manufacturing and ZEV supply chain technologies across the automotive sector. Applicants must be able to demonstrate a wider private investment into the scale-up project, with beneficiaries required to source funding for a portion of the project costs elsewhere. Applicants can be businesses of any size and either single applicants or collaborations. Eligible costs include, but are not limited to, labour, materials, capital equipment, subcontracting, travel and subsistence, and other indirect costs. Eligible projects are those that 'have potential to drive significant advancements in automotive technology and contribute to the UK's transition towards zero emission vehicles.'

1.12 The Scheme will support technologies including electrical energy storage, power electronics, lightweighting materials and manufacturing processes, fuel cell systems, hydrogen storage and management systems, ZEV assembly and integrated electrical/electronic systems, and architectures to support future technologies.

1.13 Although grants will be available UK-wide, and competitions open to organisations in both Great Britain (GB) and Northern Ireland, only GB-registered businesses (or those intending to so register) not otherwise captured within Article 10 of the Windsor Framework will be eligible under this Scheme. Support to enterprises in Northern Ireland will be dealt with in accordance with EU State Aid rules under Article 10 of the Windsor Framework.

1.14 UKRI explained that the Scheme is a Scheme of Particular Interest because it allows for the provision of one or more Subsidies of Particular Interest.[10] In particular, UKRI have stated that the Scheme will allow subsidies in excess of £5m to be awarded to an individual enterprise in a sensitive sector (the manufacture of motor vehicles).[11]

[10] Within the meaning of regulation 3 of The Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022 which sets out the conditions under which a subsidy or scheme is considered to be of particular interest.
[11] As listed in the Schedule to The Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022.

2. The SAU's Evaluation

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

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

2.2 Under Step 1, public authorities should consider compliance of a subsidy with:

(a) Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or 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.[12]

Policy objectives

2.3 The Assessment states that the policy objective of the Scheme is 'to support the manufacturing process R&D in zero emission vehicle technologies.' The Scheme will do this by using R&D grants to fast-track the pre-commercialisation of innovative ZEV technologies through real-world commercial demonstrations. This will bridge the gap between initial R&D and mass production, providing a functioning platform to demonstrate a project's feasibility and potential to prospective investors.

2.4 The Assessment explains that these projects will help achieve broader government objectives such as to:

(a) support growth, transition and security of the UK's automotive supply chain, increasing capability, whilst improving productivity, efficiency and competitiveness;

(b) support the UK's strategic goals and objectives, including the HMG's Industrial Strategy and the Automotive Council's Roadmaps and Strategic technology areas;

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[12] See Statutory Guidance, paragraphs 3.33–3.59 and the SAU Guidance, paragraphs 4.7–4.11 for further detail.

(c) enable the creation and validation of manufacturing processes for on-vehicle technologies which support the transition to the manufacturing of zero emission vehicles;

(d) create and safeguard high value jobs during the project and through post project impact, creating a lasting economic benefit to the UK; and

(e) directly enable participants to secure investment into the UK zero emission vehicle supply chain.

2.5 In our view, the Assessment clearly describes and evidences the specific policy objective of the Scheme and explains the broader strategic objectives which underpin it.

Market failure

2.6 Market failures arise where market forces alone do not produce an efficient outcome. When this arises, businesses may make investments that are financially rational for themselves, but not socially desirable.[13]

2.7 The Assessment explains that 'start-up' and 'scale-up'[14] enterprises often enter a growth phase between R&D and commercialisation known as the 'valley of death',[15] during which they face a financial gap between revenues and high capital costs. It explains that scaling-up enterprises are typically ineligible for private and public funding, while later-stage investors are deterred by perceived high risk and lack of committed customers. The Assessment states that in this phase automotive firms encounter severe challenges in bridging the gap between innovation and commercialisation.

2.8 The Assessment explains that the following market failures contribute to the 'valley of death':

(a) Information failure in the form of incomplete information on scaling-up new automotive products and processes from research to full commercialisation. The Assessment explains that where methodologies for mass-producing advanced technologies have not yet been fully realised, a trial-and-error approach is required. During this period, investors are discouraged by uncertainties surrounding scalability, production costs, potential market success of new technologies, and lack of committed customers, while

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[13] Statutory Guidance, paragraphs 3.36–3.51.

[14] The Assessment defines a 'Start-up' enterprise as 'A newly established business, typically in the early stages of development and operations' and a 'Scale-up' enterprise as 'A business that has moved beyond the start-up phase and is experiencing growth, particularly in terms of market reach, revenue, and operational capacity.'

[15] The Assessment defines 'valley of death' as 'A critical phase in a company's growth where financial gaps hinder the transition from R&D to commercialisation.'

customers are unwilling to enter substantial commercial contracts without evidence of scalability.

(b) Asymmetric information between enterprises and investors means that automotive enterprises struggle to secure capital funding at affordable rates. A lack of automotive expertise in the financial sector causes investors to perceive automotive enterprises as higher risk, and the geographic distance between automotive hubs and financial centres introduces barriers to information exchange. On the other hand, small- and medium-sized enterprises fail to demonstrate growth potential to investors through a lack of financial acumen, insufficient EBITDA[16] and collateral, and a lack of other skills essential for scaling up.

2.9 The Scheme will address these market failures by partially funding projects, and lowering the initial financial commitment required from investors, decreasing their risk exposure and thereby broadening the pool of willing investors. The Assessment cites evidence that R&D grants have in the past generated significant private investment in the UK automotive sector.

2.10 The Assessment also describes positive externalities of R&D activities generating knowledge spillovers to other firms and industries, and cites evidence of significant social returns of private R&D investment. It explains that while the Scheme is not exclusively for collaborative projects, some spillovers are expected. Applicants will also be asked to evidence how they plan to achieve knowledge spillovers during the application process.

2.11 In our view, the Assessment provides a credible description of the market failures that the Scheme seeks to remedy. However, the Assessment could better evidence the extent to which these market failures currently inhibit scaling-up activities in the UK automotive industry. For instance, it could:

(a) better evidence how the Scheme's design, in relation to factors such as proximity to commercialisation and any expectations regarding collaboration, may support knowledge spillovers. Where possible, it could use examples of similar effects observed in previous scaling-up projects; and

(b) evidence the factors preventing private investment in scaling-up enterprises, in particular the extent to which information failure and asymmetric information affect large enterprises equally as small and medium-sized enterprises.

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[16] Earnings before interest, taxes, depreciation, and amortization.

Appropriateness

2.12 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.[17]

2.13 The Assessment explains that UKRI has considered the following means to achieve the policy objective: i) regulation or tax changes; ii) connecting automotive scale-ups with private investors; and iii) provision of loans and market-based financing in alternative to grant funding. The Assessment concludes that grant funding is the most suitable funding method to meet the policy objective, as the alternatives are less likely to be successful.

2.14 The Assessment states that regulation alone is unlikely to overcome sectoral market barriers which prevent private investors from using R&D in these technologies. It states that connecting scale-ups with private investors does not lower investor risk, nor does it send a signal of commitment to the automotive sector from the UK Government.

2.15 The Assessment considers that most applicants will be pre-revenue companies with prototype products or processes. Consequently, they will have fewer funding options due to their lack of revenue or collateral, shortfalls in cash flow, and high levels of risk, making them generally unsuitable candidates for both market-based and government-backed loans.[18] The Assessment also states that loans do not overcome international competitiveness gaps, coordination challenges, and sectoral market barriers.

2.16 The Assessment concludes that grant funding is the most appropriate instrument to provide the targeted support to reduce upfront risk of scaling-up projects, incentivise investors, and close the competitiveness gap, as it does not involve any additional costs or repayment conditions.

2.17 In our view the Assessment demonstrates that UKRI has considered other ways to achieve the policy objective. However, the Assessment should discuss the alternative financing options that it mentions in more detail, explaining what it considered and why these alternatives were not deemed appropriate. In particular, the Assessment should further consider why equity funding is not an appropriate option.

[17] Statutory Guidance, paragraphs 3.57–3.59.
[18] However, the Assessment states that market term loans may be used alongside grants as part of an offer to investors, with the expectations that the Scheme will operate in conjunction with the National Wealth Fund.

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

2.18 Under Step 2, public authorities should consider compliance of a subsidy with:

(a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something that would not happen without the subsidy and be conducive to achieving its specific policy objective; and

(b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.[19]

Counterfactual

2.19 In assessing the counterfactual, public authorities should consider what would likely happen in the future – over both the long and short term – if no subsidy were awarded (the 'do nothing' scenario).[20]

2.20 The Assessment sets out a counterfactual scenario in which, without the proposed Scheme, companies would face significant challenges including:

(a) Risk of falling into the 'valley of death' (see paragraph 2.7), whereby companies may not transition from R&D to commercialisation.

(b) Firms being forced to rely on high-interest, short-term borrowing, which diverts financial resources away from R&D and expansion toward debt servicing.

(c) Delaying or derailing the development and commercialisation of innovative products and processes, limiting a company's ability to reach new markets, build competitive advantage, or secure further investment.

2.21 Relying on case studies, the Assessment states that these challenges can ultimately lead to companies entering administration or relocating abroad, or projects scaling down in size or progressing at a significantly slower pace.

2.22 The Assessment also explains that this could in turn lead to a lack of ZEV industry development, and loss of associated economic resilience. It further elaborates that the UK risks losing its competitive edge internationally as other countries continue to invest in ZEV technologies and supply chains, leaving the UK unable to keep pace without a comparable response. This would limit domestic innovation and

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[19] See Statutory Guidance, paragraphs 3.60–3.74 and the SAU Guidance, paragraphs 4.12–4.14 for further detail.
[20] Statutory Guidance, paragraphs 3.63–3.65.

result in the UK automotive sector facing challenges in maintaining its market share.

2.23 In our view, the Assessment clearly describes and evidences what would be likely to happen if the Scheme was not implemented. In particular, it helpfully explains the impact of the absence of the Scheme on potential beneficiaries in the short term, supported by case studies.

Changes in economic behaviour of the beneficiary and additionality

2.24 Subsidies must bring about something that would not have occurred without the subsidy.[21] They 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 ('additionality').[22] For schemes, this means that public authorities should, where possible and reasonable, ensure the scheme's design can identify in advance and exclude those beneficiaries for which it can be reasonably determined would likely proceed without subsidy.[23]

2.25 The Assessment explains that the Scheme is designed to support high-risk, innovative R&D projects that extend beyond 'business as usual' operational costs (see paragraph 2.35). These activities are not typically pursued without public funding due to their risk profile and capital intensity. Hence, the Assessment explains that the Scheme will lower investors' financial commitment, decrease their risk exposure, and thereby broaden the pool of willing investors. Crucially, by offering targeted financial support, the Scheme bridges the gap between R&D and commercialisation.

2.26 The Assessment further explains that the Scheme is designed to exclude beneficiaries who would likely proceed without subsidy. Independent assessors and DBT analysts will review additionality of each project at application stage through a competitive application process, a value-for-money assessment, and an evidence-based counterfactual scenario detailing what the project would look like without government funding. Applicants will be required to provide clear justification for why the project cannot be funded independently.

2.27 The Assessment discusses and provides evidence of additionality of previous schemes [✂].[24]

2.28 In our view, the Assessment clearly explains and evidences how the Scheme would change the beneficiaries' economic behaviour and that the Scheme brings

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[21] Statutory Guidance, paragraph 3.66.
[22] Statutory Guidance, paragraphs 3.66–3.70 and 3.74.
[23] Statutory Guidance, paragraphs 3.71–3.73.
[24] Redacted pursuant to section 244 Enterprise Act 2002.
[25] See Statutory Guidance paragraphs 3.75–3.112 and the SAU Guidance, paragraphs 4.15–4.19 for further detail.

about changes that would not have occurred or that would have occurred in a longer timeframe absent the Scheme. In particular, the presence of individual project-level tests for additionality, combined with the fact that eligible costs are limited to those directly related to the project, clearly supports the principle of additionality. However, the Assessment could explain whether and to what extent the level of non-additionality in the previous scheme informs the assessment of this Scheme, and why it would be acceptable for this Scheme.

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

2.29 Under Step 3, public authorities should consider compliance of a subsidy with:

(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.[25]

Proportionality

2.30 The Assessment states that by putting in various design controls, such as a competitive bid process, cost-caps, match funding, clawback and monitoring requirements, the size of the subsidy is both proportional and limited to what is necessary to address the identified market failures and financial limitations of pre-revenue companies.

2.31 The Assessment explains that the size of subsidies granted under the scheme will be between £2m and £20m with an intervention rate intensity of up to 50% of project costs per subsidy. Applicants are also required to raise private match funding into the project. The selection process will allocate funding based on a value-for-money assessment, and the amount of each grant will be calculated based on eligible costs, project scope and specific programme guidelines. Multiple funding applications by the same applicant, including previous awards, will also be taken in account.

2.32 The Assessment also sets out that the funding can only be spent on its intended purpose; payments will be made in arrears; and that UKRI is entitled to claw back funds which are not spent as intended. It outlines that scheme delivery partners will monitor project spending.

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[25] See Statutory Guidance paragraphs 3.75–3.112 and the SAU Guidance, paragraphs 4.15–4.19 for further detail.

2.33 In our view, the Assessment clearly outlines a number of design features that are relevant to proportionality and to ensuring subsidies are the minimum necessary. However, the Assessment could consider other mechanisms which could limit the subsidy to the minimum necessary, for example by allowing the public authority to share in upside benefits if the subsidised activity is successful and profitable. The Assessment could also include a fuller discussion on how UKRI will assess the proportionality of each individual grant amount, including further detail on how they will consider other subsidies to the beneficiary and how they will consider multiple applications from a beneficiary across DRIVE35 and other programmes.

Design of subsidy to minimise negative effects on competition and investment

2.34 The Assessment sets out several elements of the Scheme which are relevant to minimising distortive impacts including: the nature of the instrument, the breadth of beneficiaries and selection process, the timespan over which the subsidy is given, the nature of the costs being covered, performance criteria, ringfencing, and monitoring and evaluation.

2.35 The Assessment explains that, although grants can be used to cover costs such as labour, material and travel, these are not considered to be ‘business as usual’ because scale-up projects are unlikely to occur in the absence of this subsidy, and therefore any costs necessary for the project are not deemed business as usual.

2.36 The Assessment states that an assessment of potential market distortions a project may have will be conducted during the selection process. If a project presented a significant risk of high market disruption, it would not be supported.

2.37 In our view, the Assessment explains various design features of the Scheme which contribute to minimising any negative effects of the Scheme on competition and investment within the United Kingdom. However, the Assessment could include more detail on the selection process, including on how the different criteria will be weighted in order to minimise distortions and how competition impacts and market distortions will be identified, assessed, and factored in for each application.

Assessment of effects on competition or investment

2.38 The Assessment states that the core product market for scale-up grants is defined as the ZEV manufacturing sector, a sub-segment of the wider UK automotive industry. The Scheme is open to applicants across ZEV manufacturing and ZEV supply chain technologies. As it is open to all firms across a broad spectrum of technology areas, the Assessment argues that the overall effect on the UK automotive manufacturing market is expected to be moderate. The Assessment explains that the Scheme will have a minimally distortive impact on the market, because any indirect investment in new supply chains will not be substantial enough to impact trade and competition, as the supply-demand balance will not be substantially impacted.

2.39 The Assessment acknowledges that existing UK manufacturers may benefit from the Scheme, but states it is not possible to assess which companies may gain or lose market share. UKRI states that a comprehensive market evaluation is unfeasible at this stage given the breadth of technologies and diversity of recipients, particularly as the current UK supply chain for many of these technologies remains underdeveloped, with limited domestic players.

2.40 Elsewhere in the Assessment, UKRI explains that the Scheme will advance prototypes to higher levels of market readiness and position them for eventual full-scale industrialisation. It acknowledges this may lead to a concentration of market power among a few large players, reducing competition and giving them the ability to raise prices or reduce the quality of products and services. Additionally, it states that given that these are growing markets, some beneficiaries may gain an early mover advantage which could deter market entry of competitors in the future.

2.41 Furthermore, the Assessment acknowledges that while subsidies can crowd out private sector investment, the Scheme is designed to complement, rather than displace, such investment.

2.42 In our view, the Assessment includes some consideration of the effect of the Scheme on competition and investment in the UK, with supporting evidence. However, the Assessment should discuss the product markets in which direct potential Scheme beneficiaries would most likely operate rather than looking mainly at vehicle manufacturers lower down the supply chain, and to the extent possible, conduct an assessment of competition in these markets. To assist in this, the Assessment could use case studies from previous schemes or the Scheme's pipeline of expected projects to identify the most relevant markets (or groupings of markets) and any distortive effects.

Step 4: Carrying out the balancing exercise

2.43 Under Step 4 (Principle G), public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.[26]

2.44 The Assessment discusses a number of benefits of the Scheme including R&D knowledge spillovers, R&D and manufacturing jobs, increased supply chain resilience, building UK competitiveness, and regional benefits.

[26] See Statutory Guidance, paragraphs 3.113–3.121 and the SAU Guidance, paragraphs 4.20–4.22 for further detail.

2.45 The Assessment identifies several ways that the award of a subsidy through the Scheme could distort competition and investment, namely:

(a) leading to a concentration of market power among a few large players, reducing competition and giving them ability to raise prices or reduce the quality of products and services;

(b) allowing less efficient beneficiaries to remain in the market;

(c) giving some beneficiaries early mover advantage and deterring the entry and expansion of competitors; and

(d) crowding out private sector investment.

2.46 The Assessment states that the Scheme will be targeted at specific goals and technologies enabling the ZEV transformation of the automotive sector, which will outweigh any potential negative impacts. Negative effects will be further mitigated by relying on APC R&D programme expertise to select promising projects, and private investment will be crowded in by the match funding requirement.

2.47 The Assessment states that the Scheme may impact on international trade and investment, but that the nature and extent of this impact is challenging to predict precisely. It notes that other countries have subsidy programmes of a similar size and that other trade policies are likely to have greater impact.

2.48 The Assessment sets out that economic analysis carried out as part of the full business case indicated that the Scheme would generate a positive net benefit-cost ratio and a favourable net present social value. It considers that the design of the Scheme minimises distortion and concludes that the positive impacts outweigh the negatives.

2.49 In our view, the Assessment demonstrates some consideration of the positive and negative effects of the Scheme, and proposes a conclusion. However, in line with the Statutory Guidance, the Assessment should ensure that only those benefits that relate to the specific policy objective of the Scheme are considered.[27]

2.50 While the Assessment refers to some negative effects on UK competition and investment, it should ensure that these are consistent with the analysis in Step 3.[28] As the Assessment identifies that the Scheme aims to secure internationally mobile projects in the UK, it should undertake a commensurate exercise to identify examples of how the Scheme may impact on international trade and investment.

[27] See Statutory Guidance, paragraph 3.116.
[28] See Statutory Guidance, paragraph 3.113.

2.51 The balancing exercise should also explicitly weigh the benefits and negative effects against each other,[29] providing either qualitative or quantitative analysis to support the statement that enabling ZEV transition will outweigh any potential negative impacts. In our view, while the business case benefit-cost ratio can helpfully contribute to the balancing exercise for the purpose of subsidy control, it does not include all relevant considerations, such as negative impacts on UK competition and investment or on international trade and investment, as required by the Act and further explained in the Statutory Guidance.[30] It therefore should be supplemented with further analysis.

Other Requirements of the Act

2.52 UKRI confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Scheme.

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[29] See Statutory Guidance, paragraph 3.114-3.118.
[30] See the Act, Schedule 1 Paragraph G, and Statutory Guidance, paragraph 3.117.