

Subsidy Advice Unit Report on the proposed Offshore Wind and Related Network Sectors Supply Chain Subsidy Scheme

Referred by Great British Energy

5 November 2025

Subsidy Advice Unit

Part of the Competition and Markets Authority



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1. The Referral

- 1.1 On 19 September 2025, Great British Energy (GB Energy) requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to the proposed Offshore Wind and Related Network Sectors Supply Chain Subsidy Scheme (the Scheme) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates GB Energy'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 GB Energy. 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, GB Energy has considered in detail the compliance of the Scheme with the subsidy control and energy and environment principles. In particular, the Assessment:
 - (a) clearly describes and evidences the specific policy objective of the Scheme (Principle A);
 - (b) demonstrates that GB Energy has considered other ways of achieving its policy objective and clearly explains why the Scheme was the most appropriate option (Principle E);
 - (c) clearly sets out a description of the process taken to filter out non-additional projects (Principles D); and
 - (d) demonstrates and evidences that the Scheme is proportionate and limited to the minimum necessary to achieve its specific policy objective (Principle B).

¹ The SAU is part of the Competition and Markets Authority.

² [Referral of the proposed Offshore Wind and Related Network Sectors Supply Chain Subsidy Scheme by Great British Energy - 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.

- 1.6 However, in our view the Assessment should:
- (a) explain and evidence how the specific design features of the Scheme will ensure investment is targeted at relatively disadvantaged areas in order to achieve the policy objective of the Scheme (Principle A); and
 - (b) examine potential impacts of the Scheme on future competition between suppliers of new and existing technologies, and on entry conditions facing unsubsidised potential entrants in the event of additional subsidised capacity being built by existing suppliers (Principle F).
- 1.7 We discuss these areas below, along with other issues, for consideration by GB Energy in finalising its assessment.

The referred scheme

- 1.8 The Assessment sets out that GB Energy plans to make a Scheme to support new UK manufacturing capacity for critical offshore wind and related network components. The total value of the Scheme is £300 million.
- 1.9 The Scheme is designed to address constraints in the clean energy supply chain, focusing on building UK manufacturing capacity for key constrained⁴ components for offshore wind and related electricity network sectors. GB Energy sets out that the key constrained components include mooring and anchoring cables, turbines (blades/nacelles), towers, monopiles, transition pieces, high voltage direct current (HVDC) cables, high voltage alternating current cables (including dynamic), power transformers, HVDC converter stations, switchgear, reactive power management and control systems.
- 1.10 The Scheme will provide capital grant funding to successful applicants to develop UK manufacturing facilities (including new facilities or the expansion of existing facilities) which will be used to produce critical components in the offshore wind and related network sectors. It will be launched with an initial 12-month application window, followed by subsequent rounds if the first 12-month window is undersubscribed. Applicants will be required to provide detailed financial information setting out the project's Internal Rate of Return (IRR), profitability and revenue projections which will be assessed and validated by forensic accountants and financial specialists.
- 1.11 GB Energy will assess the scope for including repayment or reinvestment conditions in the grant offer (based on considerations of supernormal profitability,

⁴ The supporting information provided alongside the Assessment sets out the following three criteria required for defining a component as constrained: (i) 'criticality' (the importance of securing a supply of this component to deliver UK deployment targets); (ii) constraints to supply (measure of the level of constraint in supply of the component); and (iii) industry readiness to bid.

earnings before interest, tax and amortization (EBITA) level, construction milestones and number of units produced).

- 1.12 Eligible costs include buildings, equipment, infrastructure, and related research and development. Grant intensity is expected to be 15% or less, and the grant funding must be spent in this Spending Review period (ie by end of financial year 2029/30).
- 1.13 GB Energy explained that the Scheme is a Scheme of Particular Interest because it allows subsidies to be granted over the threshold value (£25 million).⁵

⁵ [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) \(Amendment\) Regulations](#) 2025 sets out the conditions under which a subsidy or scheme is considered to be of particular interest.

2. The SAU's Evaluation

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

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.⁶

Policy objectives

2.3 The Assessment states that the policy objective of the Scheme is to increase UK manufacturing capacity of key constrained offshore wind and related electricity network components, thereby creating and supporting new and existing jobs in the UK (including in industrial clusters⁷), whilst also supporting investment in shorter and greener supply chains.

2.4 The Assessment provides a list of eleven key constrained offshore wind and related network components with the rationale for identifying each of these components.⁸ The Assessment states that this list is intended to be dynamic in order to ensure the Scheme is responsive to emerging markets needs and does not support components that cease to be critical to deliver policy objective. It also sets out that the process to identify and expand the list of key constrained components will follow a pre-defined process and can be initiated by GB Energy or an applicant.⁹

⁶ See [Statutory Guidance](#), paragraphs 3.33-3.59 and the [SAU Guidance](#), paragraphs 4.7-4.11 for further detail.

⁷ GB Energy has adopted a broad definition of 'industrial clusters', referencing [the UK's Modern Industrial Strategy 2025 - GOV.UK](#).

⁸ See paragraph 1.9.

⁹ The Assessment explains that the list will be reviewed by GB Energy periodically, and as new research emerges. Applicants to the Scheme will also be invited to provide evidence demonstrating the criticality of other components in support of their applications.

- 2.5 In our view, the Assessment clearly describes and evidences the specific policy objective of the Scheme.

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.¹⁰
- 2.7 The Assessment describes the following market failures:
- (a) Coordination failure: the Assessment explains that a coordination failure arises because component manufacturers are unable to invest in new capacity without certainty over future orders, while offshore wind developers cannot provide that certainty until they secure a Contract for Difference (CfD). The Scheme aims to address this market failure by reducing the upfront capital risk for manufacturers, enabling them to invest in new capacity even with low order-book certainty.
 - (b) Externalities (negative) associated with fossil fuels: first, the Assessment explains that fossil fuel use leads to underinvestment in clean energy supply chains, as the market underprovides clean energy and firms face risks in expanding manufacturing capacity. Second, firms do not consider the environmental impacts of their supply chains when procuring inputs, instead prioritising the low-cost options. The Scheme seeks to address both issues by de-risking investment in clean energy supply chains and favouring applicants pursuing environmentally sustainable practices.
 - (c) Externalities (positive) associated with skills training: the Assessment states that firms underinvest in skills training as the wider benefits are not captured by the firm paying for the training. The Scheme aims to address this by prioritising investments that include upskilling programmes.
 - (d) Externalities (energy security): the Assessment explains that overreliance on supply chains concentrated in a small number of countries or manufacturers can lead to systemic energy security risks that firms do not internalise. To address this, the Scheme aims to increase UK manufacturing capacity for key components and encourage investment in more sustainable production of inputs.
 - (e) Agglomeration effects: the Assessment explains that the Scheme will reduce the costs of investing in key manufacturing components and encourage the use of shorter supply chains which will give rise to agglomeration effects, ie

¹⁰ [Statutory Guidance](#), paragraphs 3.36–3.51.

benefits that arise from factories being located close to each other. The Assessment further explains that investing in one factory may increase the likelihood of an additional factory being built nearby, but such benefits are not internalised by the company investing in the first factory.

- 2.8 In our view, the Assessment clearly describes and explains several market failures that the Subsidy seeks to remedy. However, the conclusions could be improved by better reference to supporting evidence.

Equity Objective

- 2.9 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.¹¹
- 2.10 The Assessment states that Great Britain suffers from uneven economic development and explains that most of the investments from the Scheme are expected to be concentrated in former industrial heartlands, which the Assessment explains tend to be more deprived and have average salaries which are well below the national average.
- 2.11 The Assessment argues that by investing in more economically deprived areas, the Scheme will address inequality through the creation of new factory-based jobs, which are expected to attract higher-than-average salaries due to being high-skilled jobs. It further states that the Scheme will prioritise applicants that invest in upskilling programmes and the creation of skilled employment.
- 2.12 As set out in Statutory Guidance¹² it is for the public authority to decide whether the Subsidy addresses a market failure, equity objective, or both. However, to the extent that GB Energy intends to rely on an equity objective argument, the Assessment should explain and evidence how the specific design features of the Scheme will ensure investment is targeted at relatively disadvantaged areas to achieve the policy objective of the Scheme. For example, this could include explaining in more detail how location of investment will be considered in the selection of beneficiaries, and/or whether there will be any conditions regarding future location of activities.

Appropriateness

- 2.13 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.¹³

¹¹ [Statutory Guidance](#), paragraphs 3.52–3.56.

¹² [Statutory Guidance](#), paragraph 3.34

¹³ [Statutory Guidance](#), paragraphs 3.57–3.59.

- 2.14 The Assessment takes a structured approach to the consideration of alternative methods of achieving the identified policy objective. It considers a range of options, including regulatory change, tax reform, and spending measures, each assessed against the policy objective and the ‘critical success factors’ (including value for money, strategic fit and ability of potential suppliers to deliver the required service), in line with Green Book Appraisal Guidance.¹⁴
- 2.15 The Assessment explains that options involving regulatory change, tax reform, or partnerships with central government bodies were rejected as too complex, slow, or inconsistent with GB Energy’s mandate to develop in-house expertise on clean energy supply chains. Similarly, the purchase of key constrained components, capital allowances, and a joint developer funding pot were considered unaffordable, overly complex, or prone to delay.
- 2.16 The Assessment goes on to note that non-grant funding mechanisms were also ruled out, as loans, guarantees, or equity stakes would add complexity, fail to bridge viability gaps, and not address the underlying market failures deterring investment in offshore wind and network supply chains. In contrast, a capital grant fund was judged to be the most effective, administratively simple, and timely tool for tackling those failures and incentivising investment ahead of 2030.
- 2.17 In our view, the Assessment demonstrates that GB Energy has considered other ways of achieving its policy objective and clearly explains why the Scheme was the most appropriate approach.

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.¹⁵

¹⁴ [The Green Book: appraisal and evaluation in central government - GOV.UK](#)

¹⁵ See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 4.12–4.14 for further detail.

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).¹⁶
- 2.20 The Assessment sets out a counterfactual scenario where the supply of key constrained offshore wind and network components will not be able to keep up with the increase in demand over the next ten-year period. It references a study¹⁷ which includes interviews with suppliers, which states they are booked out for several years.
- 2.21 The Assessment also references research that concludes that suppliers are reluctant to invest in new capacity in the face of uncertainty regarding technological advancements and the future order pipelines, due to the identified co-ordination failure, and that the market is unlikely to evolve away from this view by itself in the next few years.
- 2.22 The Assessment states that without domestic manufacturing facilities, UK companies will likely find obtaining critical components significantly more challenging due to (1) increased competition with global competitors who often have centralised procurement approaches and (2) additional costs to cover the import fees. It states that this would result in increased costs for consumers.
- 2.23 The Assessment concludes that the combination of a constrained supply chain, international competition, investment not keeping up with future demand, and the UK’s current reliance on imports, means that without intervention, the UK risks its own energy security and net zero goal due to supply chain constraints. The Assessment states that policy changes alone will not overcome the market failures outlined, and additional grant funding support is needed for companies to invest in the UK.
- 2.24 In our view, the Assessment clearly describes what would be likely to happen if the Scheme was not implemented. In general, the counterfactual is supported by evidence; however, in places the Assessment could set out more clearly how the underlying evidence supports statements made in the Assessment.

Changes in economic behaviour of the beneficiary and additionality

- 2.25 Subsidies must bring about something that would not have occurred without the subsidy.¹⁸ They should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe

¹⁶ [Statutory Guidance](#), paragraphs 3.63–3.65.

¹⁷ [UK Renewables Deployment Supply Chain Readiness Study – Executive Summary](#), Baringa Partners LLP (2024).

¹⁸ [Statutory Guidance](#), paragraph 3.67.

without the subsidy ('additionality').¹⁹ 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).²⁰

- 2.26 The Assessment explains that awards made under the Scheme will incentivise recipients to develop domestic clean energy supply chain manufacturing projects.
- 2.27 The Assessment notes that, based on GB Energy's market engagement and pipeline analysis, it is understood that investments in the types of projects targeted by the Scheme are, in most cases, unlikely to proceed in the absence of direct grant funding to mitigate investment risk.
- 2.28 The Assessment explains that, in practical terms, the Scheme constitutes a form of risk-sharing between GB Energy and the recipient, lowering the financial consequences of project underperformance or failure. The effect of this intervention is to move certain projects from below the investment threshold to a position where they are financially viable, thereby enabling investment decisions that would not otherwise be taken.
- 2.29 The Assessment also states that the Scheme has 'designed-out' non-additional behaviour by building in controls to ensure that grants are awarded only where there is a genuine need for grant funding. This includes a due diligence process conducted by third party forensic accountants to verify applicants' claims on the need and level of for grant funding.
- 2.30 In addition, the Assessment sets out that a robust, multi-stage assessment process (including clearly defined eligibility criteria and triaging stages) will filter out non-additionality to ensure that only the most appropriate projects are awarded grant funding under the Scheme.
- 2.31 In our view, the Assessment clearly explains and evidences how the Scheme will change the beneficiaries' economic behaviour and that it brings about changes that would not have occurred absent the subsidy. In particular, the Assessment clearly sets out a description of the process taken to filter out non-additional projects.

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

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

¹⁹ [Statutory Guidance](#), paragraphs 3.66–3.70.

²⁰ [Statutory Guidance](#), paragraphs 3.71–3.73.

- (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.²¹

Proportionality

- 2.33 The Assessment states that the subsidies available under the Scheme are intended to be proportionate to the overall policy objective. It then considers several Scheme characteristics in line with the Statutory Guidance including:
- (a) the breadth of beneficiaries and selection process;
 - (b) the size of the Scheme and the size of awards;
 - (c) performance criteria; and
 - (d) monitoring and evaluation.
- 2.34 The Assessment then explains how elements of the Scheme design will limit subsidies to the minimum necessary to achieve the policy objective, including that:
- (a) applicants will compete for funding, through a 12-month application window with a portfolio review, which will be awarded to eligible investment(s) that demonstrate they best meet the policy objective;
 - (b) the value of the current pipeline exceeds the size of the Scheme; and
 - (c) the total value of subsidies to be awarded is likely to be less than the total value of the Scheme, as GB Energy expects to impose repayability conditions on at least some of the beneficiaries.
- 2.35 Regarding the proportionality of individual subsidies awarded under the Scheme, the Assessment states that applicants will:
- (a) need to demonstrate they have exhausted other funding sources and will be re-directed to alternative financial products and/or services outside the Scheme where appropriate;
 - (b) be required to provide detailed financial information setting out the project's IRR, profitability and revenue projections. This information will be assessed and validated by forensic accountants and financial specialists. They will also assess the scope for including repayment or reinvestment conditions in the

²¹ See [Statutory Guidance](#) paragraphs 3.75–3.112 and the [SAU Guidance](#), paragraphs 4.15–4.19 for further detail.

grant offer (based on considerations of supernormal profitability, EBITA level, construction milestones and number of units produced);

- (c) be required to disclose other public financial assistance received or expected, to avoid over-subsidisation; and
- (d) undergo a detailed value for money and benefit assessment of each project as part of the triage and selection process.

2.36 In addition, grant agreements will include monitoring and grant recovery provisions to verify the project's progress against the agreed deliverables and to enable grant recovery where progress is unsatisfactory. Grant payments will be made in arrears, after verification for their eligibility against the policy objective by a monitoring officer.

2.37 In our view, the Assessment demonstrates and evidences that the Scheme is proportionate and limited to the minimum necessary to achieve its specific policy objective, in line with the Statutory Guidance.

Design of subsidy to minimise negative effects on competition and investment

2.38 The Assessment states that GB Energy has assessed the design features of the Scheme to minimise any potential negative effects on competition and investment and that these cannot be reduced any further without undermining its ability to meet the policy objective. These features include the following:

- (a) The Scheme will be open to all market participants that are able to produce one or more critical components and applicants will need to compete for funding through a competitive process. Applicants will be encouraged to only apply for grants to cover funding gaps that remain after alternative funding sources have been exhausted, and be required to provide supporting information to demonstrate this.
- (b) Funding is for one-off capital expenditure for clearly defined and specific purposes to achieve the policy objective.
- (c) Potential recipients will be required to disclose other subsidies they receive or expect to achieve to avoid excessive accumulation of subsidies to a particular recipient.
- (d) GB Energy will consider, for each grant award, incorporating a repayment clause into grant agreements' that incentivise the recipient to bring the development project to market whilst minimising excessive market distortion arising from over-subsidisation or terms that could reduce incentives to be productive and/or efficient to avoid repayment of the grant.

- (e) The Scheme is time-limited (ie applications are to be made within a 12-month window and funding is for costs accrued over a defined time-limited period up to 2030).

2.39 In our view, the Assessment demonstrates and evidences how some design features of the Scheme contribute to minimising any negative effects of the Scheme on competition and investment within the United Kingdom.

2.40 However, the Assessment could more clearly and explicitly consider and explain market dynamics in this sector, including the role innovation (ie new product design and development) plays in constrained component markets, with a view to setting out how potential distortive impacts on investment and future competition have been considered and minimised through Scheme design.²² For example, the Assessment could consider how the project selection process would consider innovation and entry conditions when selecting projects and how this would reduce distortive impacts on competition (such as first-mover advantages) between suppliers of new and existing technologies.

Assessment of effects on competition or investment

2.41 The Assessment acknowledges that the Scheme would, in principle, affect the offshore wind market as a whole. However, using information from GB Energy's market engagement and pipeline analysis, the Assessment focuses its analysis on the component markets most likely to be impacted by the Scheme.

2.42 To determine likely distortive impacts, the Assessment considers market characteristics for each of the component market(s) most likely to be constrained. It considers in turn, the product and geographic dimensions and refers to information on market growth, market concentration and barriers to entry, expansion and exit. In particular it explains that:

- (a) The size of the Scheme is small relative to the size of each of the identified component market(s), which are international in geographic scope.
- (b) The size of the Scheme (and consequent awards) is also small relative to the size and to the turnover of the major companies currently operating in each market. Therefore, the Assessment concludes that it does not expect a grant to an incumbent or new entrant to have a significant distortive effect on the component market(s) in the UK or internationally.
- (c) Subsidy awards are expected to lower the up-front costs for entry and expansion, reducing risks related to uncertain future demand, thereby

²² In a context where high up-front costs and demand uncertainty are seen as creating barriers to investment, there may be a risk that investment in production capacity by subsidy beneficiaries further enhances barriers to entry for unsubsidised potential entrants, even if they offer technological improvements.

lowering barriers to entry and expansion. It refers to information on supply for each market; for example, for monopiles it states existing monopile capacity 'is often booked out for three to four years, making market exit of existing companies unlikely, making it unlikely that the subsidy will increase barriers to exit for unsustainable companies.'

- (d) The size of the Scheme is small in relation to the offshore wind manufacturing turnover and offshore wind construction turnover (the average annual subsidy amount of £60 million (£300 million over 5 years) would represent around 8% of the UK offshore wind manufacturing turnover, and 3% of UK offshore wind construction turnover).²³

- 2.43 In our view, the Assessment considers and evidences a number of effects of the Scheme on competition or investment in the United Kingdom, in line with Annex 3 of the Statutory Guidance.
- 2.44 However, in our view, the Assessment should examine potential impacts of the Scheme on future competition between suppliers of new and existing technologies, and on entry conditions facing unsubsidised potential entrants in the event of additional subsidised capacity being built by existing suppliers.
- 2.45 The Assessment could also briefly set out the expected impacts of the Scheme on the wider power generation market. It could be clearer on the geographic market definition for the constrained components, taking into account the relevant information referred to in the Assessment. It could also explicitly consider expected impacts (if any) on other related markets - for example, ports, skilled labour and other inputs required for the manufacture of the constrained components.

Step 4: Carrying out the balancing exercise

- 2.46 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.²⁴
- 2.47 The Assessment sets out the benefits of the Scheme, which include:
 - (a) increasing investment in offshore wind and network components that is expected to increase capacity for key constrained components in the offshore and related network supply chains, helping to alleviate supply chain

²³ GB Energy indicated that this represents a sample calculation to demonstrate the relative size of the subsidy in relation to the impacted market.

²⁴ See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 4.20–4.22 for further detail.

bottlenecks, reduce lead times, derisk deployment and lower component prices;

- (b) reducing cost of components, which would reduce the cost of offshore wind deployment;
- (c) reducing lead time for networks/offshore wind infrastructure, expected to speed up deployment of clean energy generation and infrastructure;
- (d) creating and supporting more productive and skilled jobs, including through upskilling workers;
- (e) stimulating economic and local growth, as new facilities are expected to create jobs, raise wages and induce economic activity; and
- (f) lowering carbon emissions, with investment in shorter and greener supply chains and commitment to using more sustainable manufacturing methods, contributing to shared decarbonisation efforts.

2.48 The Assessment states that the internal analysis indicates that the funding is likely to demonstrate value for money with a positive cost-benefit ratio.

2.49 The Assessment identifies the following potential negative effects/risks of the Scheme, which GB Energy assessed against their expected size and likelihood of occurring:

- (a) International displacement. The Assessment considers that encouraging UK manufacturing investment could marginally reduce other countries' ability to attract similar investment, particularly where the European Union and United States have comparable programmes. However, it argues that this risk is limited because the funding provided in the Scheme is materially smaller than comparable foreign initiatives.
- (b) Supporting ineffective firms. The Assessment states that there is a risk of funding ineffective companies, or those in the process of exiting the market, which could impair competitive dynamics. It explains that GB Energy will mitigate this through rigorous due diligence, financial assessments, and by ensuring subsidies are limited to the minimum necessary to secure viable projects.
- (c) Risk of subsidy races, cumulation or over-subsidisation. The Assessment states that the risk of this is low and can be mitigated through a combination of coordinated funding process with other funding bodies, transparency structural and procedural measures. It sets out that GB Energy will coordinate with other institutions to avoid duplication, apply the principle of

awarding only the minimum necessary, and require applicants to disclose any existing or potential future subsidies.

- (d) Geographical and distributional impacts. The Assessment considers that as projects are expected to be located in industrial clusters, some of which are in areas with higher deprivation markers, there is a potential risk of uneven regional impacts or displacement of investment. The Assessment considers that whilst the extent of any such impact cannot yet be quantified, GB Energy has incorporated geographical location and portfolio coverage into its review process.

- 2.50 The Assessment concludes that it is unlikely that the Scheme will have a significant negative effect on competition and investment within the UK or international trade or investment, due to the comparatively low level of funding (when compared to the size of the market).
- 2.51 The Assessment concludes that the benefits of achieving the Scheme's policy objective outweigh the potential negatives.
- 2.52 In our view, the Assessment clearly sets out the positive effects of the Scheme, together with potential negative effects, framed as risks with proposed mitigations, and conducts a balancing exercise between them in line with the Statutory Guidance.

Energy and Environment Principles

- 2.53 This section sets out our evaluation of the Assessment against the energy and environment principles.²⁵
- 2.54 GB Energy has conducted an assessment of the Scheme against Principles A and B. It does not consider other energy and environment principles, including Principle H which we discuss below.

Principle A: Aim of subsidies in relation to energy and environment

- 2.55 Subsidies in relation to energy or the environment should be aimed at (1) delivering a secure, affordable and sustainable energy system and a well-functioning and competitive energy market, or (2) increasing the level of environmental protection compared to the level that would be achieved in the absence of the subsidy. If a subsidy is in relation to both energy and environment, it should meet both limbs.²⁶

²⁵ See Schedule 2 to the Act, and [Statutory Guidance](#), Chapter 4.

²⁶ [Statutory Guidance](#), paragraphs 4.19–4.28.

- 2.56 The Assessment states that the Scheme is designed to add manufacturing capacity in offshore wind and related network sectors and that by supporting these sectors, the Scheme will boost activity and help deliver a secure, affordable and sustainable energy system. The Assessment also notes that the Scheme will encourage applicants to invest in shorter or greener supply chains, which will have an overall positive environmental impact.
- 2.57 In our view, the Assessment states how the Scheme complies with Principle A of the Energy and Environment Principles.

Principle B: Beneficiary's liabilities as a polluter

- 2.58 Subsidies in relation to energy or the environment should not relieve the beneficiary from liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland, or Northern Ireland.²⁷
- 2.59 The Assessment explains that the Scheme will not relieve any successful applicant from any liabilities arising from its responsibilities as a polluter.
- 2.60 In our view, the Assessment explains how the Scheme complies with Principle B of the Energy and Environment Principles.

Principle H: Subsidies for the decarbonisation of emissions linked to industrial activities

- 2.61 Subsidies for the decarbonisation of emissions linked to industrial activities should achieve an overall reduction in greenhouse gas emissions and reduce the emissions directly resulting from the industrial activities concerned.²⁸
- 2.62 The Assessment does not assess Principle H as it concludes that it is not applicable to the Scheme. GB Energy states that the Scheme does not primarily relate to the decarbonisation of emissions related to industrial activities. We note, however, that the Scheme will support decarbonising emissions from industrial activities, through the manufacture of components for offshore wind farms, and that the policy objective references supporting investment in greener supply chains.
- 2.63 In light of the above, the Assessment could set out more fully why GB Energy have considered it unnecessary to assess Principle H.

²⁷ [Statutory Guidance](#), paragraphs 4.29–4.34.

²⁸ [Statutory Guidance](#), paragraphs 4.60–4.68.

Other Requirements of the Act

- 2.64 GB Energy confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Scheme.

5 November 2025