Subsidy Advice Unit Report on the proposed subsidy to Associated British Ports by the Department for Energy Security and Net Zero

Referred by the Department for Energy Security and Net Zero

18 May 2026

Subsidy Advice Unit

Part of the Competition and Markets Authority

CONTENTS

1. The Referral

1.1 On 27 March 2026, the Department for Energy Security and Net Zero (DESNZ), requested a report from the Subsidy Advice Unit (the SAU)[1] in relation to the proposed subsidy to Associated British Ports (ABP)[2] (the Subsidy) under section 52 of the Subsidy Control Act 2022 (the Act).[3]

1.2 This report evaluates DESNZ's assessment of compliance (the Assessment) of the Subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.[4] It is based on the information and evidence included in the Assessment.

1.3 This report is provided as non-binding advice to DESNZ. It does not consider whether the subsidy should be given, 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, DESNZ has considered in detail several aspects of the compliance of the Subsidy with the subsidy control and energy and environment principles. In particular, the Assessment:

(a) explains in detail factors that contribute to the identified coordination failure in FLOW deployment (Principle A);

(b) demonstrates that DESNZ has considered other ways of achieving its policy objective and clearly explains and evidences why a subsidy was the most appropriate option (Principle E); and

(c) clearly considers and evidences the effect of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance (Principle F).

1.6 However, we have identified the following areas for improvement. In our view, the Assessment should:

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[1] The SAU is part of the Competition and Markets Authority.
[2] ABP is the UK's largest port operator, with a network of 21 ports across England, Scotland and Wales.
[3] Referral of the proposed subsidy to Associated British Ports by the Department for Energy Security and Net Zero - GOV.UK
[4] 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) more clearly set out, with greater specificity, what DESNZ consider the most likely outcome will be in the absence of the Subsidy in the shorter and longer term (Principle C);

(b) explicitly address why DESNZ consider that compensating ABP for costs that have already been incurred is compliant with the additionality principle (Principle D);

(c) outline in greater depth why the Subsidy is considered the minimum necessary by providing more detail on the negotiation process and the level of due diligence conducted (Principle B); and

(d) within the balancing exercise, consider how the Subsidy will deliver benefits over and above what would have happened in the counterfactual scenario and ensure that these benefits relate directly to the specific policy objective (Principle G).

1.7 We have identified issues relating to the assessment of the energy and environment principles, for consideration by DESNZ, to the extent that DESNZ consider these principles applicable to the Subsidy.

1.8 More broadly, we have identified several areas where the Assessment is insufficiently clear as to its conclusions and the evidence underpinning those conclusions.

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

The referred subsidy

1.10 DESNZ proposes to award a subsidy of up to £64 million that will be made available between June 2026 and March 2029 to ABP. It aims to support a portion of the £106 million of developmental expenditure (DevEx), including funding the design, environmental assessment and consenting activities required to progress ABP's Future Port Talbot project to a consent ready position (the Project), with the aim of eventually developing Port Talbot[5] into a port where floating offshore wind (FLOW) platforms can be assembled and then deployed in the Celtic Sea. The Subsidy will support work undertaken between August 2023 and March 2031.

1.11 DESNZ considers FLOW to be strategically important to the UK's long-term energy system because it enables deployment in deeper waters where fixed-bottom technology is not viable. In the Celtic Sea, recent seabed leasing activity has established a multi-gigawatt development pipeline which, if realised, would make a

[5] Port Talbot is located in south west Wales, along Swansea Bay, and is part of the Bristol Channel.

material contribution to the UK's clean energy and energy security agenda. DESNZ told us that the UK does not currently have a port in the Celtic Sea region that can support the manufacturing, assembly, integration and tow-out requirements specific to FLOW technology at commercial scale.

1.12 Port Talbot has been identified by FLOW developers as one of the few locations in the UK with the physical characteristics, proximity to deployment zones[6] and industrial context required to perform this role. Progressing the site to a consented, investable position is considered by DESNZ to be a necessary enabling step for future FLOW deployment in the region.

1.13 The award to support the Project was originally developed as a multi-phase intervention intended to deliver a constructed port capable of supporting large-scale FLOW deployment in the Celtic Sea as part of the Floating Offshore Wind Manufacturing Investment Scheme (FLOWMIS).[7] However, market uncertainty and the requirements of ABP and FLOW developers to manage associated risks had made negotiations around the delivery of a grant to support the construction phase unviable. As a result, government instead decided to award a new, standalone DevEx-only intervention, limited to progressing Port Talbot to a consented, investable position.

1.14 The Subsidy will fund a defined set of development stage deliverables including ecology works, extensive survey campaigns, concept design, consenting activities and statutory examination costs. It will fund a significant sum in costs that ABP have already incurred in relation to the Project since August 2023.

1.15 DESNZ explained that the Subsidy is a Subsidy of Particular Interest because it exceeds £25 million in value.

[6] The Assessment states that long distances between construction ports and deployment sites materially increase costs and delivery risk for FLOW projects.
[7] FLOWMIS was set up in 2023 to provide up to £160 million in grant funding to support the development of port facilities for large-scale FLOW deployment.

2. The SAU's Evaluation

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

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.[8]

Policy objectives

2.3 The Assessment states that the policy objective of the subsidy is to 'enable the delivery of surveys, environmental assessments, design development and statutory consultation required to obtain a flexible, future proofed Infrastructure Consent Order (ICO)[9] for a FLOW integration port at Port Talbot, in order to unlock the potential of the FLOW sector in the Celtic Sea and accelerate the adoption of clean energy solutions in line with regional and national environmental objectives'.

2.4 The Assessment explains that the Subsidy will fund DevEx activities,[10] which are required to complete the ICO process and progress Port Talbot to a consent-ready status capable of supporting developer investment in the deployment of commercial scale FLOW in the Celtic Sea.

2.5 The Assessment states that the policy objective derives from a number of local and UK-wide plans, strategies and programmes[11] and aligns with Government policy, including to:

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[8] See Statutory Guidance, paragraphs 3.33–3.59 and the SAU Guidance, paragraphs 3.6–3.10 for further detail.
[9] The Infrastructure (Wales) Act 2024 sets out the process to consent major infrastructure projects in the fields of energy, transport, water, wastewater and waste in Wales. These projects require infrastructure consent from the Welsh Ministers, rather than planning permission from the relevant planning authority. Where the Welsh Minister propose to grant consent for a significant infrastructure project, this will be through an ICO.
[10] See paragraph 1.14.
[11] Including (i) UK commitments to Net Zero, (ii) the UK's Carbon Budget 6, (iii) Government's Industrial Strategy, (iv) Government's key Mission to 'kick start economic growth', (v) The Welsh Government's FLOW Action Plan 2025/26; and (vi) Celtic Sea Blueprint report.

(a) unlock major economic infrastructure;

(b) strengthen domestic clean energy supply chains; and

(c) accelerate offshore wind delivery to support net zero.

2.6 The Assessment then explains that the subsidy will also contribute to wider strategic aims, including:

(a) reducing the UK's contribution to carbon dioxide emissions through the increased use of clean energy sources; and

(b) decreasing reliance on fixed-bottom wind projects to support a more resilient clean energy pipeline regionally and nationally.

2.7 In our view, the Assessment describes and evidences the specific policy objective of the subsidy.

Market failure

2.8 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.[12]

2.9 The Assessment identifies a market failure relating to imperfect information and coordination failure that the Subsidy seeks to remedy. It explains that imperfect information between ports and FLOW developers is leading to a coordination failure which prevents early-stage investment in FLOW. It states that this is most acute during the DevEx phase, which is characterised by high upfront costs, long lead times and no immediate revenue.

2.10 The Assessment explains that this imperfect information is caused by the following factors:

(a) Market structure. The Assessment explains that ports must commit significant DevEx years ahead of FLOW developers being able to secure Contracts-for-Difference (CfD)[13] to ensure that consenting activities and ultimately the port can be constructed and available for use. However, it states that because FLOW developers must bid competitively into CfD rounds, they have limited revenue certainty until a CfD is awarded and

[12] Statutory Guidance, paragraphs 3.36–3.51.
[13] A Contract for Difference, as set out in the Energy Act 2013, is a contract between a generator and a counterparty to encourage the generation of low carbon electricity whereby the counterparty will pay an electricity generator the difference between the CfD reference price and the CfD strike price. CfD contracts are typically awarded through a competitive allocation round, where companies submit bids in relation to new generation capacity, and the lowest bids are accepted until the overall budget for the allocation round is reached. For further information see: Contracts for Difference - GOV.UK.

therefore are reluctant to make binding commitments to ports until they have secured later-stage approvals and revenue support through a CfD. Furthermore, the Assessment explains that without confirmed developer commitments, ports cannot demonstrate the revenue certainty for investment decision.

(b) Nascency of FLOW technology. The Assessment explains that the nascency of FLOW technology and uncertainty over how the Celtic Sea pipeline will develop over time creates cost uncertainty, design risk and risk aversion. In particular, it sets out that:

(i) the FLOW sector remains at an early stage of commercial development and therefore costs are significantly higher than fixed-bottom offshore wind. The Assessment explains that high inflation and supply-chain bottlenecks have compounded these challenges, making FLOW projects capital-intensive and costly for developers;

(ii) FLOW foundations are extremely large and heavy and therefore must be assembled at portside. The Assessment explains that, while long-distance transport is not a technical impossibility, it is economically and operationally challenging, particularly at the commercial scale envisaged for the port; and

(iii) the technical specificity and nascency of FLOW, combined with uncertainty over foundation technologies, construction methods and consenting requirements, adds to the complexity and development risk compared to fixed-bottom offshore wind.

2.11 The Assessment states that uncertainty is exacerbated by the expected rollout timetable of FLOW in the Celtic Sea, which is not anticipated to participate in CfD allocation rounds until beyond 2030.

2.12 The Assessment explains that by enabling ABP to undertake the Project, the Subsidy will:

(a) provide ABP with certainty over the infrastructure requirements that must continue to be designed;

(b) create a credible FLOW deployment pathway to support future private investment and developer commitments; and

(c) provide other developers with real-world parameters on which to base FLOW technology choices, given that this would be the first port of this scale in the UK FLOW sector.

2.13 In our view, the Assessment describes and evidences the market failure that the Subsidy seeks to remedy. In particular, it explains in detail factors that contribute to the identified coordination failure in FLOW deployment.

Equity Objective

2.14 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.[14]

2.15 The Assessment states that, as well as addressing a market failure, the subsidy 'also addresses an equity rationale by supporting economic transition and regeneration in South Wales, mitigating the loss of industrial employment, and anchoring clean energy growth and skilled jobs in a coastal region identified by UK and Welsh policy as a priority clean energy cluster'. While the Assessment refers at various points to regeneration, job creation and related outcomes that could be relevant to an equity concern, these intended outcomes are not explicitly set out within the policy objective and only briefly discussed in regard to Principle A.

2.16 In our view, while a detailed explanation of an equity objective is not essential given the market failure outlined, to the extent that DESNZ considers the Subsidy addresses an equity concern, the Assessment should clearly set out and evidence this concern and how the Subsidy will address it.

Appropriateness

2.17 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.[15]

2.18 The Assessment explains that DESNZ has considered the following means to achieve the policy objective:

(a) Alternative financing models such as revenue guarantees, equity, debt and bridging loans were rejected as the Assessment explains that they do not unlock immediate critical path activities (surveys, design, consenting) on acceptable risk terms, and would not accelerate delivery within the required window.

(b) Direct government ownership was also considered; however, the Assessment explains that this approach would likely be of considerable cost, time-consuming and legally challenging.

(c) Regulatory changes to alter the CfD process were also explored, including proposals to enable more timely investment in port infrastructure. However, the Assessment outlines challenges associated with this option, such as the time it would take to implement these changes.

[14] Statutory Guidance, paragraphs 3.52–3.56.
[15] Statutory Guidance, paragraphs 3.57–3.59.

(d) Coordinated FLOW developer funding was also considered as an alternative to the Subsidy. However, the Assessment explains that developers were unwilling to commit to funds ahead of receiving CfDs.

(e) Repayable assistance, with funds being repaid upon the port becoming operational, was also considered. The Assessment outlines this was not considered to be suitable given the uncertainty relating to the cost of the construction phase and the likelihood and potential revenue the port could generate. It explains that incorporating terms of this nature could undermine the case for further investment in the construction phase of the Project and ABP were unwilling to accept this additional liability.

2.19 The Assessment concludes that the Subsidy is the most appropriate instrument for achieving the policy objective as it addresses the identified early-stage coordination failure at the point where no realistic alternative mechanism could do so with less distortion.

2.20 In our view, the Assessment demonstrates that DESNZ has considered other ways of achieving its policy objective and clearly explains and evidences why a subsidy was the most appropriate option.

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

2.21 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.[16]

Counterfactual

2.22 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).[17]

2.23 The Assessment sets out a counterfactual scenario in which no subsidy is provided to ABP. It explains that DESNZ consider the most likely outcome to be

[16] See Statutory Guidance, paragraphs 3.60–3.74 and the SAU Guidance, paragraphs 3.11–3.13 for further detail.
[17] Statutory Guidance, paragraphs 3.63–3.65.

that ‘the specific policy objective, to progress a UK port to a consent ready position capable of supporting the first commercial scale FLOW deployment in the Celtic Sea, would not be achieved (or at the very least, would be delayed past the 2030 consent-ready target date).’

2.24 The Assessment explains that in the absence of the Subsidy ‘ABP would be unable to restart (or sustain) the sequence of design, environmental and consenting activities required to progress Port Talbot towards a fully consented port design’. It outlines that in the short term, delays to key surveys would mean Port Talbot could not progress toward consent at the pace required to support the Crown Estate’s Round 5[18] projects and developer and investor confidence in the Project would be impacted. The Assessment acknowledges that ABP has already invested a significant sum of its own money ‘at risk’, and sets out how, given delays would impact the viability of the Project, there is a ‘credible risk that ABP could walk away from the Project entirely’.

2.25 It sets out, that at the ‘extreme end’ of this scenario, the work would not proceed at all as ABP would face a combination of high upfront development expenditure with no committed revenue from developers prior to CfD award, uncertainty over future port specifications until developers finalise foundation choices, and limited appetite to carry multi-year consenting and design risk without co-funding.

2.26 The Assessment acknowledges that there may be other ports in the Celtic Sea region that could support the deployment of FLOW. It outlines that DESNZ consider that no other UK port currently and demonstrably has, or is expected to develop without significant public intervention, the scale, land availability, quay strength and water depth required to undertake both foundation manufacture/assembly and turbine foundation integration for Gigawatt scale FLOW in the time required.

2.27 The Assessment specifically explores the possibility of the Port of Bristol as an alternative location. It outlines that the Port of Bristol has recently announced plans for the Bristol Wind Terminal project and has received funding support from The Crown Estate for early-stage expenditure. However, the Assessment explains that there remains considerable uncertainty as to how the Celtic Sea pipeline will develop over time and whether the Port of Bristol’s plans would ultimately be favoured over Port Talbot’s. It outlines that DESNZ has not undertaken a detailed analysis over the Port of Bristol’s plans, which remain at an early stage of development, and that by providing the Subsidy, Port Talbot will receive a considerable advantage that may make the proposed project at the Port of Bristol unviable in the short term.

[18] The Crown Estate are responsible for seabed leasing in the Celtic Sea. In 2024, TCE launched Offshore Wind Leasing Round 5 and rights for rights for three sites for new floating wind farms were awarded in 2025.

2.28 The Assessment also outlines that DESNZ consider that reliance on non-UK ports is not a viable means of delivering the policy objective as the distances involved would materially increase cost and programme risk while also reducing annual deployment throughput.

2.29 The Assessment then states that in the longer term, without a consent-ready port location of appropriate scale, associated industrial activities for FLOW are less likely to be supported in the Celtic Sea region. It outlines that other ports could continue to explore more 'constrained' or 'piecemeal' integration activities, but they would be unable to offer a platform capable of supporting large-scale deployment and they would not benefit from economies of scale or optimisation benefits that will contribute to the cost reduction pathways for FLOW that the realisation of Port Talbot would enable.

2.30 In our view, the Assessment describes and evidences a range of potential impacts that would arise in the absence of the Subsidy. However, it should more clearly set out what DESNZ consider the most likely outcome will be, in particular whether the required design, environmental and consenting activities would be carried out over a longer time period, or would not take place at all. If the Assessment concludes that a delay to the required work is the most likely outcome, it should consider the extent to which the policy objective could be achieved over a longer timeframe.

2.31 In addition, the Assessment could address in more detail the likelihood of other ports being able to provide the port facilities required to support FLOW deployment. To do this it could:

(a) outline the extent to which the development of the Port of Bristol to support FLOW deployment would be dependent on public intervention; and

(b) specifically consider the potential development of non-UK ports in or near the Celtic Sea region such as those in the Republic of Ireland and France and whether these could supply Celtic Sea developments despite their positioning not being considered optimal.

Changes in economic behaviour of the beneficiary and additionality

2.32 Subsidies must bring about something that would not have occurred without the subsidy.[19] 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').[20]

2.33 The Assessment states that, as the counterfactual is that progress on the Project could not be completed within the required expedited timescales, the Subsidy

[19] Statutory Guidance, paragraph 3.67.
[20] Statutory Guidance, paragraphs 3.66–3.70.

causes a clear and measurable change in economic behaviour by enabling ABP to undertake development activities that it would otherwise defer or not undertake at all. It outlines that these activities include enabling ABP to commit now to a defined programme of funded activities, procurement of ecology works in 2026, revalidation of surveys, development of consent-grade design, and progression to ICO submission and approval on the timetable needed to support the emerging Celtic Sea FLOW pipeline.

2.34 The Assessment identifies several wider additional benefits that DESNZ consider the Subsidy will enable. These include job creation (including direct operational and construction phase jobs in Port Talbot, with the potential for wider indirect employment through supply chain activity), reduction in long-term FLOW deployment costs, positioning the UK for first-mover advantages in the global FLOW market and creating conditions that may lead to UK-based FLOW manufacturing and assembly.

2.35 The Assessment then sets out that the Subsidy does not compensate ABP for 'business-as-usual' costs. It explains that the Subsidy supports development expenditure relating to receiving the specific consents required rather than ongoing operational costs. The Assessment outlines that the cost forecasts from ABP were verified by external consultants and that ABP will need to submit verified accounts throughout the Subsidy's term to show that the funding has been used for project-specific eligible expenditure.

2.36 The Assessment acknowledges that a portion of the Subsidy (a significant sum) will be used to compensate ABP for costs that it has already incurred. It outlines that these costs relate 'predominantly to surveys, baseline data collection and early design.' The Assessment explains that 'reimbursing these costs ensures the information already generated by ABP is not lost and that the baseline evidence required for the ICO can be carried forward without delay.' It explains that a portion of these costs relate to 'management costs' and notes that DESNZ is still in discussions with ABP over their inclusion, to ensure that these do not include business-as-usual costs or costs not directly associated with the Project.

2.37 In our view, the Assessment explains and evidences how the subsidy will change ABP's economic behaviour and that the Subsidy will enable future activity to take place that would not have occurred absent the subsidy.

2.38 However, the Assessment should explicitly address why DESNZ consider that compensating ABP for costs that have already been incurred is compliant with the additionality principle.[21] To do this, it could:

[21] Paragraph 3.68 of the Statutory Guidance states that a 'project that has already been started by a potential beneficiary' would likely 'struggle' to meet the requirement 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.

(a) explain why ABP would not proceed with the Project in the absence of the Subsidy, noting that it has already committed some funding towards its completion. In doing so, the Assessment could consider how FLOWMIS negotiations may have impacted APB's decision to begin incurring costs;

(b) explain more fully why information already generated by ABP is at risk of being lost in the absence of the Subsidy and whether some information could be retained; and

(c) clarify the definition of 'management costs', and why they are not considered business-as-usual costs.

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

2.39 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.[22]

Proportionality

2.40 The Assessment identifies a number of subsidy design features that contribute to keeping the Subsidy to the minimum necessary and proportionate to the policy objective. In particular:

(a) the scope of the Subsidy is limited to DevEx which the Assessment states is the minimum intervention necessary to unlock future private investment in FLOW and infrastructure for FLOW integration services;

(b) the maximum value of the Subsidy that can be given to ABP is approximately £64 million, equivalent to 60% of the total forecasted cost of £107 million of the Project. The Assessment outlines that the cost forecasts have been benchmarked against industry standards and the forecasts have been validated by external consultants, who conducted the due diligence of the Project for DESNZ;

(c) the Assessment states that, whilst usually DESNZ would ascertain the minimum subsidy needed to induce investment through modelling the gap

[22] See Statutory Guidance paragraphs 3.75–3.112 and the SAU Guidance, paragraphs 3.14–3.18 for further detail.

between the predicted IRR and a commercially viable IRR, DESNZ was unable to do so in this case due to the uncertainties associated with the market failure, and the costs of future construction and the revenue it would generate. As a result, it explains the grant intensity was determined by negotiations with ABP, who the Assessment states have consistently maintained that a grant of 60% is the minimum necessary to undertake the Project, despite DESNZ proposing lower intensities; and

(d) quarterly reviews will be held to monitor progress against the performance criteria and where appropriate, the Assessment states that the Subsidy can be adjusted or recovered to maintain proportionality.

2.41 In our view, the Assessment outlines a number of features that contribute to ensuring the Subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective, in line with the Statutory Guidance.

2.42 However, the Assessment should explain in more detail how the grant intensity of 60% was determined and why DESNZ considered this to be a proportionate level of support. It could do this by setting out the evidence provided by ABP demonstrating that a grant with a lower intensity, or which was partially repayable, would be insufficient for it to progress the Project.

2.43 The Assessment demonstrates that DESNZ has undertaken due diligence on the cost forecast and as explained in paragraph 2.44(b), the Subsidy design includes a verification process for future costs. However, the Assessment could also explain how DESNZ satisfied itself that the costs already incurred by ABP, that will be reimbursed through the Subsidy, were limited to the minimum necessary required to progress the Project.[23]

Design of subsidy to minimise negative effects on competition and investment

2.44 The Assessment includes (in addition to the elements discussed above relating to the size of the Subsidy) a number of design features that DESNZ consider contribute to minimising the Subsidy's distortive effects on competition and investment within the UK. In particular:

(a) the Subsidy is time limited such that funds can only be distributed to ABP between financial years 2026/2027 and 2028/2029;

(b) the Subsidy covers project enabling DevEx rather than ongoing operational or 'business-as-usual' costs. The Assessment states that payments are made in arrears following a verification process with submitted evidence, which will be reviewed by an allocated monitoring officer; and

[23] See paragraph 2.36 and 2.38 for further discussion regarding the costs already incurred.

(c) the Assessment states that DESNZ can suspend or recover the Subsidy if the Project does not deliver against defined performance criteria, or if the port infrastructure that is constructed following the Project is unsuitable for FLOW.

2.45 The Assessment states that ABP was chosen to be the beneficiary of this Subsidy as Port Talbot emerged to be one of the preferred applications for funding under FLOWMIS following a competitive allocation process. Recognising that single-beneficiary subsidies are generally acknowledged to be more distortive than subsidies with multiple beneficiaries, the Assessment states that DESNZ considered subsidising multiple ports, but this was determined to be infeasible as running another competitive process to identify other beneficiaries would delay the Project and undermine the policy objective.

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

2.47 However, the Assessment could, to further demonstrate how distortions are minimised, discuss in more detail the consideration given to subsidising multiple beneficiaries and why it was not deemed an appropriate approach in this instance.

Assessment of effects on competition or investment

2.48 The Assessment defines the primary product market as FLOW integration services and states that the Subsidy has the potential to distort competition in favour of Port Talbot relative to other UK ports due to a first-mover advantage which is likely to place ABP in a stronger position to attract future private investment and FLOW-related activity.

2.49 The Assessment recognises that the distortive effect is strongest against those ports which could enter the market for FLOW integration services, within practical towing distance of the Celtic Sea, such as Milford Haven and Falmouth, and particularly the Port of Bristol.

2.50 However, the Assessment explains that this distortion is likely to be predominantly a short-term effect and that in the long run this Subsidy will stimulate market entry and investment by other port developers, for example as a result of the greater market certainty and signalling of market viability supported by this early investment.

2.51 The Assessment considers some potential impacts of the Subsidy on ports outside of the UK capable of FLOW integration services. The Assessment states that the majority of non-UK ports are not expected to be strong competitors to Port Talbot in the Celtic Sea given the cost and logistical challenges of towing FLOW components from distant ports.

2.52 The Assessment also considers potential impacts in related markets including:

(a) wider port commercial activities such as cargo handling or warehousing. The Assessment recognises that ABP's other port activities may, in the future, indirectly benefit from this Subsidy; and states that this distortion is likely to be exacerbated by the fact that ABP is already a significant port operator in the UK; and

(b) the UK-wide professional services markets for environmental and marine surveys, geotechnical investigations, Environmental Impact Assessment work and associated engineering and design services. The Assessment states that these markets are competitive and consist of multiple providers and that this Subsidy will have positive spillovers in these markets.

2.53 In our view, the Assessment clearly considers and evidences the effect of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance.

Step 4: Carrying out the balancing exercise

2.54 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]

2.55 The Assessment sets out various anticipated negative impacts of the Subsidy, including potential effects on competition and investment in the UK (see paragraphs 2.48 to 2.52). In particular, it considers impacts on ABP's market position relative to other ports seeking to enter the FLOW market in the longer term, as well as potential indirect effects on ABP's reputation and geographic impacts relating to the distribution of investment.

2.56 The Assessment briefly considers potential impacts on international trade or investment in relation to European ports and concludes that they are limited. It explains that the subsidy will increase the viability of Port Talbot to compete with established and larger European offshore wind ports. It further explains that overseas ports are not effective substitutes for supporting Celtic Sea FLOW deployment, noting that European ports have limited FLOW capability and face their own bottlenecks, that reliance on overseas ports would increase costs and logistical risks for UK FLOW projects, and that the Subsidy addresses a UK-specific infrastructure deficit.

2.57 The Assessment then sets out the expected benefits of the Subsidy, including:

[24] See Statutory Guidance, paragraphs 3.113–3.121 and the SAU Guidance, paragraphs 3.19–3.21 for further detail.

(a) supporting timely development of FLOW;

(b) reinforcing the resilience of the UK's energy transition infrastructure; and

(c) helping safeguard the strategic opportunity to anchor FLOW supply chain activity in the UK, rather than overseas.

2.58 The Assessment outlines that in the absence of a consent-ready UK port such as Port Talbot, developers would have no domestic alternative and would need to rely on non-UK ports, introducing higher costs, logistical inefficiencies and deployment risks.

2.59 The Assessment explains that FLOW turbine structures can only be towed at low speeds and within narrow safe weather windows. It outlines that, as a result, long-distance towage from continental Europe to the Celtic Sea would materially increase journey times, risk of weather-related delay, and overall deployment uncertainty. The Assessment concludes that the Subsidy mitigates these risks by avoiding the need for FLOW turbines associated with the Celtic Sea Leasing Round 5 projects to be towed from overseas ports.

2.60 The Assessment then sets out wider benefits of the subsidy, including:

(a) unlocking the conditions necessary for large-scale FLOW deployment in the Celtic Sea, thereby supporting decarbonisation and progress toward Carbon Budget 6 and net zero;

(b) enabling future reductions in the future cost of energy generation for FLOW through earlier certainty on port availability;

(c) improving the UK's strategic energy security by reducing reliance on non-UK port infrastructure; and

(d) catalysing private investment by reducing early-stage uncertainty that the market cannot resolve alone.

2.61 The Assessment also considers that the subsidy will deliver benefits relating to regional economic development in South Wales by stimulating early supply-chain development. The Assessment explains that this will help to mitigate the impacts of industrial transition following job losses at the Port Talbot steelworks, and create the long-term conditions for high-value employment in port operations, marine engineering and associated manufacturing and UK port infrastructure.

2.62 The Assessment then carries out a balancing exercise, supported by quantitative evidence from DESNZ's internal value-for-money analysis, and concludes that the Subsidy's benefits outweigh the negative effects. In particular, the Assessment considers potential distortions arising from the subsidy against the strategic, environmental and economic risks that could arise if no suitable integration port is available for FLOW deployment in the Celtic Sea.

2.63 In our view, the Assessment clearly sets out potential positive effects of the subsidy in relation to the policy objective, its geographic impacts, as well as potential negative impacts, and conducts a balancing exercise between them in line with the Statutory Guidance. However, the Assessment should:

(a) only consider benefits that relate to the specific policy objective identified under Principle A;

(b) more clearly differentiate between the direct benefits of the Subsidy and the longer-term benefits it may enable, and reflect this distinction within its balancing exercise;

(c) consider how the Subsidy will enable benefits, over and above what would have happened anyway, as the Assessment does not rule out the possibility of the Project taking place over a longer timeframe (see paragraph 2.23); and

(d) further consider the potential implications for international trade and investment, focusing in particular on nearby non-UK ports that may represent competitive alternatives to Port Talbot.

Energy and Environment Principles

2.64 This section sets out our evaluation of the Assessment against the energy and environment principles.[25]

2.65 DESNZ has conducted an assessment of the Subsidy against Principles A, B and C. In addition, the Assessment explains why DESNZ does not consider the other energy and environment principles relevant to the Subsidy.

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

2.66 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]

2.67 The Assessment states that DESNZ consider the Subsidy will increase the level of environmental protection compared to the level that would be achieved in the absence of the Subsidy. It explains that the Subsidy will facilitate the timely delivery of the relevant consents and design work necessary to ensure that Port Talbot can progress to a consent-ready, investable position. The Assessment

[25] See Schedule 2 to the Act, and Statutory Guidance, Chapter 4.
[26] Statutory Guidance, paragraphs 4.19–4.28.

outlines that this in turn will support the conditions required for FLOW projects to proceed at scale, thereby enabling substantial reductions in carbon emissions over the lifetime of the development and generation of FLOW in the Celtic Sea.

2.68 The Assessment notes that precise emission saving impacts will ultimately depend on the timing and scale of FLOW projects brought forward by developers but outlines that FLOW is seen as important to achieving the UK's statutory decarbonisation pathway. It explains that the Subsidy supports port investment that is essential to unlocking this new clean energy sector, enabling Port Talbot to play a pivotal role in Leasing Round 5 projects that could power over four million homes. The Assessment concludes that on the basis of this expected contribution to enabling largescale renewable generation, DESNZ considers that the Subsidy will increase the level of environmental protection compared to the level that would be achieved in the absence of the Subsidy.

2.69 In our view, the Assessment explains how the Subsidy is consistent with the environmental limb of Principle A of the energy and environment principles. While we note that the Subsidy does not directly support energy system or energy market outcomes, the Assessment could nonetheless explicitly address whether the energy limb of Principle A is applicable (and if appropriate address this principle). This is relevant given that the Assessment states that DESNZ considers Principle C of the energy and environment principles, which relates to subsidies for electricity generation adequacy, renewable energy, or cogeneration, is relevant to the Subsidy.

Principle B: Beneficiary's liabilities as a polluter

2.70 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]

2.71 The Assessment states that the Subsidy does not fund any operational activities or emissions-generating activities and does not relieve the beneficiary from any liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland or Northern Ireland. The Assessment states that the Subsidy will help the beneficiary to meet some of the costs associated with preparing and securing consents, but the beneficiary will remain fully responsible for complying with all conditions, permits and environmental obligations that attach to any consent, now and in the future.

2.72 In our view, the Assessment clearly explains and evidences how the Subsidy complies with Principle B of the energy and environment principles.

[27] Statutory Guidance, paragraphs 4.29–4.34.

Principle C: Subsidies for electricity generation adequacy, renewable energy, or cogeneration

2.73 Subsidies or schemes for electricity generation adequacy, renewable energy, or cogeneration should not undermine the UK's ability to ensure that wholesale electricity and natural gas prices reflect actual supply and demand, and that the wholesale electricity and natural gas market rules will, in general terms, be transparent, encourage free price formation, and operate in an efficient and secure manner.[28] They should also not unnecessarily affect the efficient use of electricity interconnectors between the UK and the European Union. Finally, they should be determined by means of a transparent, non-discriminatory and effective competitive process, or, alternatively, an explanation should be provided for why a non-competitive process was used.[29]

2.74 The Assessment states that the Subsidy does not directly fund electricity generation adequacy, renewable energy, or cogeneration, but considers Principle C applicable to the Subsidy as the long-term impact of the Subsidy will be to facilitate the increase renewable electricity generation and renewable energy.

2.75 The Assessment states that the Subsidy will help accelerate the use of FLOW as a renewable energy source. However, it states that the Subsidy will not undermine the UK's ability to ensure that wholesale electricity and natural gas prices reflect actual supply and demand, and that the wholesale electricity and natural gas market rules will continue to be transparent, encourage free price formation, and operate in an efficient and secure manner in accordance with Article 304 of the Trade and Cooperation Agreement. The Assessment explains that the Subsidy will not have the effect of introducing significant distortions or price controls, or otherwise significantly impede the transparent operation of the wholesale electricity and natural gas markets.

2.76 The Assessment further states that the Subsidy will not undermine the UK's ability to meet its obligations under Article 311 of the Trade and Cooperation Agreement as regards the efficient and non-discriminatory use of electricity interconnectors between the UK and the European Union and the requirement to manage electricity interconnectors in efficient, market-based, and transparent terms.

2.77 The Assessment acknowledges that these are matters which will need to be addressed if further Subsidy support is provided at a later stage of the Project.

[28] Article 304 of the Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the European Union and the European Atomic Energy Community, of the other part (TCA).
[29] Statutory Guidance, paragraphs 4.36–4.44.

2.78 The Assessment notes that a non-competitive process may be used to determine a subsidy for renewable energy or cogeneration if appropriate measures are put in place to prevent overcompensation and that:

(a) the potential market supply is insufficient to ensure a competitive process;

(b) the eligible capacity is unlikely to have a material effect on competition and investment within the UK and international trade and investment; or

(c) the subsidy is given for a demonstration project.

2.79 In our view, the Assessment explains how the Subsidy is consistent with Principle C of the Energy and Environment Principles at a high-level. We note, as stated in the Assessment, that the Subsidy does not directly fund electricity generation adequacy, renewable energy, or cogeneration. However, to the extent that DESNZ consider Principle C of the energy and environment principles relevant to the Subsidy, the Assessment should set out in more detail why the use of a non-competitive process to award the Subsidy is consistent with Principle C.

Other Requirements of the Act

2.80 DESNZ confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the subsidy.

18 May 2026