

Subsidy cases – you wait 15 months and then two come along at once!

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On 28 March, the EU issued a request for consultations at the World Trade Organisation on the UK's alleged discriminatory practices when granting subsidies for green energy projects. The EU say that the criteria used by the UK when awarding subsidies for offshore wind energy projects favour UK products over imported ones.

Under the UK's Contracts for Difference (CfD) scheme, financial support is awarded to green energy projects through a bidding process. The Government says that the aim of the CfD scheme is to incentivise investment in renewable energy by providing developers of these projects, which have high upfront costs and long lifetimes with direct protection from the volatile wholesale energy prices. They are also said to protect consumers from paying increased support costs when electricity prices are high.

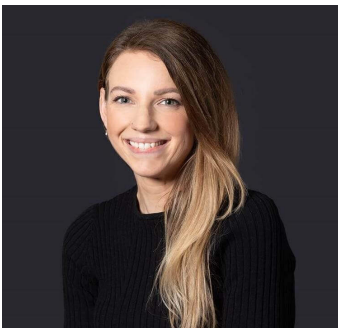
The EU says that when assessing bids for CfD support, the UK government applies a local content criterion to determine the eligibility of operators and whether they receive financial support. The EU say that this is a breach of the WTO 'national treatment' principle, that imported products must be able to compete on an equal footing with domestic ones and that it harms EU suppliers and increases green energy prices.

The next step in the dispute resolution process is for consultation between the parties in order to settle the dispute. If the dispute can't be settled within 60 days, the EU can request that the WTO sets up a panel to rule on the matter.

The UK government has said that it will "rigorously contest the EU's challenge". It will be interesting to see what comes of this case.

For more information please contact [Angelica Hymers](#) or [Alex Kynoch](#)

Contact



Angelica Hymers
Principal Associate

angelica.hymers@brownejacobson.com

+44 (0)115 976 6092

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