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# State aid law in times of Brexit: an economist's perspective

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100<sup>th</sup> GCLC Lunch Talk

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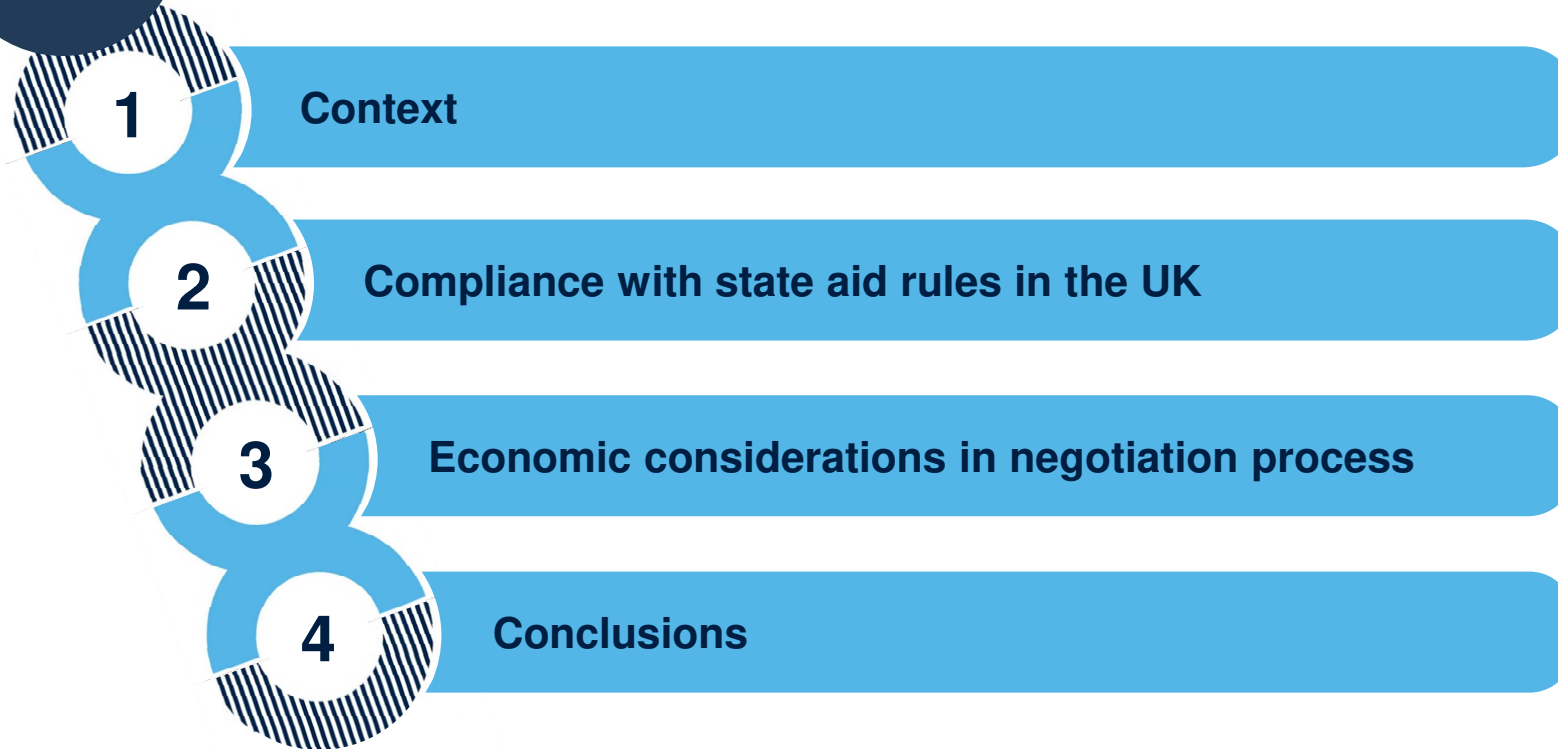
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# Overview



# Compliance with existing state aid rules in the UK (I)

## Existing rules have not been a significant constraint

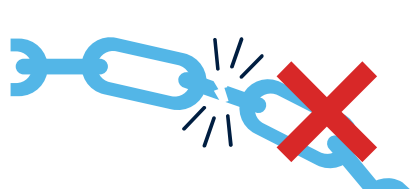
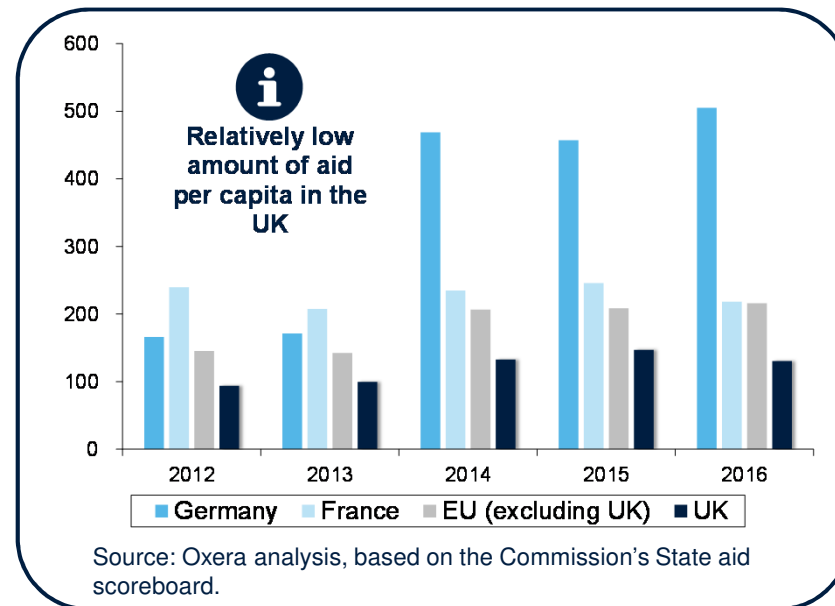
**in theory**, Brexit could lead to a greater push for state funding in the UK

### Proportion of negative state aid decisions between 2012 and 2017

Country	Proportion
Germany	4%
France	7%
EU (excluding UK)	6%
<b>UK</b>	<b>1%</b>

Source: Oxera analysis, based on a Commission case search.

### State aid per capita (€)



➔ **on average**, existing EU state aid rules do not seem to have been a significant limiting factor in UK policy interventions

# Compliance with existing state aid rules in the UK (II)

## Potential drivers for more lenient rules

- **in general**, state aid rules have historically not been a limiting factor
  - however, within the UK, there may be **asymmetries** in the economic impact of Brexit and/or perceived desirability of greater state intervention



### Sectoral measures

- as part of 'Industrial Strategy' announced in 2017, the government has announced 'Sector Deals'
- **keen interest** from all parties involved and economic actors
- some measures announced fall under **remit of existing state aid rules**
- less stringent rules ↔ more intervention and/or greater discretion?



### Regional measures

- some policy areas fall under competence of **devolved entities**, which are announcing their own industrial strategies
- some local authorities could potentially be interested in creating '**Enterprise Zones**'
- under Commission's '**Regional Guidelines**'
- less stringent rules ↔ more intervention and/or greater discretion? Role for discipline imposed at national level?






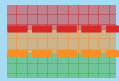
there could be a risk of 'subsidy races' between regions and between sectors



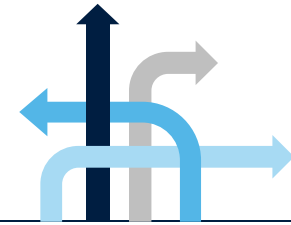
# Potential considerations in negotiations

## Economic aspects of existing state aid provisions

- depending on type of arrangements adopted, there may be scope for national specificities
  - how much flexibility would there be around the terms of Association Agreements, such as a Ukraine-like deal?

Economic aspect	Possible aspects negotiated
 Definition of assisted areas	UK vs. EU average GDP per capita
 Distortions to competition and trade	Adopting a different stance on materiality, how to take EU effects into account
 Objectives of common interest	How to define objectives of EU vs. national interest
 Thresholds (in, e.g. GBER)	Adjusting some of the thresholds based on UK context

# Conclusions



- a wide range of options for future state aid provisions
  - some form of state aid control likely to remain



whilst, on average, existing rules have not been a limiting factor in UK policy interventions, more lenient rules could lead to more selective interventions...

... and vice versa: a desire for more selective industrial policies may create a push for more lenient state aid provisions



- the type of EU–UK agreement and form of state aid rules will depend on a number of political and legal, but also economic, considerations



the negotiations may consider the potential for changes to some economic aspects within the existing framework



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