

European Commission Directorate-General for Trade

News

■ **THE EU AND THE WTO** | Brussels, 28 March 2022

EU challenges discriminatory practices of UK's green energy subsidy scheme at WTO

Today the EU is requesting consultations with the United Kingdom (UK) at the World Trade Organization (WTO) on the UK's discriminatory practices when granting support for green energy projects. The criteria used by the UK government in awarding subsidies for offshore wind energy projects favour UK over imported content. This violates the WTO's core tenet that imports must be able to compete on an equal footing with domestic products and harms EU suppliers, including many SMEs, in the green energy sector. Moreover, such practices ultimately increase costs of production and thereby risk slowing down the deployment of green energy.

The EU welcomes efforts to support renewable energy and believes these must be fully compatible with international trade obligations. Under the UK's Contracts for Difference scheme, financial support is awarded to green energy projects (mostly offshore wind farms) in a bidding process. When assessing the bids, the UK government applies a local content criterion to determine the eligibility of operators and ultimately to pay out the financial support for the project. This incentivises operators to favour UK content in their applications, to the detriment of imported inputs. The EU considers this to be a breach of the WTO's national treatment principle, which prohibits WTO members from discriminating against imports in favour of domestic products. Moreover, such local content criteria lead to losses in efficiency and raise prices for consumers, ultimately making the transition to a secure supply of renewable energy more difficult and costly.

Green energy technologies and solutions are a very important sector in the EU. The wind energy sector alone has an annual turnover of €36 billion (2018 figure) and provides 500,000 high quality jobs. Discriminatory trade practices, such as the UK ones challenged today, encourage the move of investments away from the EU, impacting the EU's competitiveness in the sector and in general undermine efforts to address the climate crisis.

The EU has raised its concerns with the UK on several occasions, but to no avail. The EU is, therefore, bringing the matter to the WTO and hopes that it can be resolved swiftly. The dispute settlement consultations that the EU has requested are the first step in WTO dispute settlement proceedings. If they do not lead to a satisfactory solution within 60 days, the EU can request the WTO to set up a panel to rule on the matter.

For more information

Request for Consultations
WTO procedures flowchart
WTO Dispute Settlement in a Nutshell
WTO cases launched by the EU