

**JOINT DECLARATION OF THE EUROPEAN UNION AND THE UNITED KINGDOM
ON MONETARY POLICIES AND SUBSIDY CONTROL**

The Parties confirm their mutual understanding that activities conducted by a central bank in pursuit of monetary policies do not fall within the scope of Chapter 3 of Title XI of Heading One of Part Two of the Trade and Cooperation Agreement between the European Union and the United Kingdom.

JOINT DECLARATION ON SUBSIDY CONTROL POLICIES

The European Union and the United Kingdom (“the Participants”) endorse the following Political Declaration on Subsidy Control Policies.

The guidance in this joint declaration represents the Participants’ shared understanding of the appropriate subsidy policies in the areas set up below.

While it is not binding on the Participants, they may take this guidance into consideration in their respective systems of subsidy control.

The Participants may agree to update this guidance.

Subsidies for the development of disadvantaged areas

1. Subsidies may be granted for the development of disadvantaged or deprived areas or regions. When determining the amount of subsidy, the following may be taken into account:
 - the socio-economic situation of the disadvantaged area concerned;
 - the size of the beneficiary; and
 - the size of the investment project.
2. The beneficiary should provide its own substantial contribution to the investment costs. The subsidy should not have as its main purpose or effect to incentivise the beneficiary to transfer the same or a similar activity from the territory of one Party to the territory of the other Party.

Transport

1. Subsidies to airports for infrastructure investments and operating costs may be granted taking into account the size of the airport in terms of annual passenger volume. In order to receive subsidies to fund operating costs, an airport, other than a small regional airport, should demonstrate its ability to ensure future viability within a period of time which would allow for the subsidy to be progressively phased out.
2. Subsidies to road infrastructure projects may be granted if they are not designed selectively to benefit an individual economic actor or sector, but instead provide benefits to society at large. When granting the subsidy, it should be ensured that open access to infrastructure is available to all users on a non-discriminatory basis².
3. Subsidies to ports may be granted for dredging or for infrastructure projects if they are limited to the minimum amount necessary to commence the project.

Research and development

Subsidies may be granted for research and development activities³. This includes fundamental research, industrial research and experimental development, in particular the development of new and highly innovative technology which drives productivity growth and competitiveness, if they are necessary, proportionate, and do not have as their main purpose or effect the transfer or closure of such activities in the territory of the other Party. Subsidies may also be granted in connection with other initiatives, such as for new production processes, relevant infrastructure, innovation clusters and digital hubs. The amount of subsidy should reflect, amongst other factors, the risk and amount of technological innovation involved in the project, how close the project is to the market and the project's contribution to knowledge generation.

² For this purpose, discrimination means that comparable situations are treated differently and the differentiation is not objectively justified.

³ Research and Development as defined in the OECD Frascati Manual.