SOSE ECONOMIC DEVELOPMENT SUBSIDY SCHEME (SEDSS) - EXTENDED TO 2031

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Introduction

1.1 Purpose of this scheme

South of Scotland Enterprise (SOSE) was established by the Scottish Government in recognition of the unique circumstances of the South of Scotland, and the need for a fresh approach to drive inclusive growth across the area.

Our statutory aims and powers are conferred by the South of Scotland Enterprise Act 2019 . These require us to further the sustainable economic and social development of the South of Scotland and to improve the amenity and environment of the region. To achieve those aims SOSE takes a wide range of actions to support inclusive and sustainable economic growth, to increase efficiency, innovation, and competitiveness, and to tackle inequality within the region. This scheme will be the principle instrument under which SOSE will grant subsidy in pursuit of our strategic priorities.

1.2 Duration

The scheme takes effect from 1 January 2021 and the end date is extended to 31 December 2031.

1.3 Legal Basis for the Scheme

This scheme is designed to comply with the EU-UK Trade and Cooperation Agreement 2020 (TCA), signed on 30 December 2020 as implemented by section 29 of the European Union (Future Relationship) Act 2020, together with the UK Government guidance on complying with the UK's international obligations on subsidy control as issued from time to time. In all cases a proposed subsidy will have been assessed to meet the definition of a "subsidy" and awards shall be compatible with the "principles" agreed in the TCA and associated UK subsidy guidance. The criteria and limitations of the scheme are designed to limit the effects of permitted subsidies to fall within a safe harbour (of effects) such that it is possible to award subsidies with a reduced set of compatibility checks against the TCA Principles. The TCA applies to subsidies to suppliers of goods and services.

The scheme may be modified or replaced after December 2022 once further UK legislation on subsidy control within the UK comes into effect.

South of Scotland Enterprise implements this scheme under our powers conferred by the South of Scotland Enterprise Act (2019).

1.4 Types of Subsidy

SOSE has powers to offer grant, loan, equity, and guarantees. Applicants must state their financial needs and preferences at application stage, but the final decision on the amount and type of any subsidy award will remain at SOSE's discretion, informed by our strategic priorities and the outcome of due diligence.

1.5 Geographic Scope

The scheme applies to awards made by SOSE to beneficiaries based, or with an operating presence, in the SOSE area and whose activity has, or could have, an effect on trade or investment with competitors in:

- any EU member State
  (For applicants based in Northern Ireland and concerned with producing goods, the EU State Aid rules and undertaking in difficulty test defined in Annex 1, number 11 will apply)
- the UK internal market

- third countries covered by Free Trade Agreements (FTAs) or World Trade Organisation (WTO) rules covered by the Agreement on Subsidy and Countervailing Measures (ASCM).

1.6 Eligible Beneficiaries and Sectors

Subsidy under this scheme is open to all types of commercial entity (regardless of their legal or profit-distributing status) engaged in the provision of goods or services affecting trade within the UK and EU in all sectors other than those specified in 1.7.

Although excluded from the TCA, this scheme includes support to the audio-visual sector at measure 5.3.

1.7 Sectors and Support NOT Covered by this Scheme

- Agriculture, Horticulture and Forestry, which are covered by the SOSE Agriculture, Food and Drink Subsidy Scheme and WTO Agreement on Agriculture (AoA)
- Fishing and Aquaculture, which are covered by the WTO ASCM agreement
- Subsidy awarded as *small amounts of financial assistance* (SAFA) that is covered by the exception at Article 364.4 of the TCA or its successor under the UK Subsidy Control Act 2022 – Minimal Financial Assistance (MFA)
- Prohibited subsidies i.e. –
    - Unlimited state guarantees where the amount or duration is not limited
    - Exports - subsidy must not be used to fund the direct operating costs of exports i.e. staff, materials or other revenue costs tied to the export performance of goods or services.
    - Domestic content - SOSE will not place an obligation on beneficiaries to favour UK suppliers and goods as a condition of the funding.

Certain subsidy limitations and conditions apply to the following subsidies and at least for the initial period of this scheme they will be dealt separately as ad hoc cases outside of this scheme:

- air carriers
- large cross-border or international cooperation projects
- energy and environment
- rescue and restructuring of ailing or insolvent applicants.

1.8 Scheme Objectives

Successful applicants should be able to demonstrate the following SOSE Criteria:

- The outcomes will contribute to SOSE's strategic objectives and Operating Plan priorities
- The project will deliver commercial benefits to the applicant enterprise and to the South of Scotland
- The project would not be able to proceed at all, or not at the same scale, quality, or speed without public assistance (additionality)
- The applicant has the capacity to implement the project effectively to enhance its future competitiveness
- The applicant is financially viable at the time of application and is unlikely to become insolvent or be at risk of going out of business in the short to medium term.

1.9 Publication of Subsidy Awards for Transparency

SOSE is required to publicise all financial awards, regardless of the value, on its website. In addition, UK Government requires that UK subsidy awards exceeding £100,000 given under this scheme are reported through the UK Subsidy Control Transparency Database to provide summary information to any interested party and to international trade partners, in accordance with existing trade agreements.

Chapter 1 - Investment in Business Assets & Infrastructure

This chapter supports our priorities of supporting successful, productive, and resilient businesses and creating the conditions for growth.

Measure 1.1 Regional Investment

This subsidy is normally used to provide financial assistance to commercial enterprises for capital investments for their own use.

Eligible Activities and Eligible Undertakings

Eligible activities are:

- Initial investment in new economic activity (large undertakings)
    - an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment; or
    - the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition.
- For large undertakings a "new establishment" shall concern new economic activity (refer to Annex 1, No. 22 for the definition of new economic activity). Note that "establishment" in the context of initial investment is understood as a production unit and not a legal entity.
- The beneficiary (at group level) shall confirm that it has not carried out a relocation of the same or similar activity from another part of the European Economic Area (EEA) to the proposed new operation in the South of Scotland in the two years preceding its application for regional investment subsidy. The applicant shall give a commitment not to carry out such a transfer for a period of two years after the initial investment for which the subsidy is requested is completed. For definition of *same or similar* see definition No. 21 in Annex 1. A "transfer" is deemed to have taken place if the product or service in the initial and in the subsidised establishment serves at least partly the same purpose and meets the demands or needs of the same types of customers and jobs are lost in the "same or similar" activity in one of the initial establishments of the beneficiary.
- Initial investment (SMEs only) in tangible assets related to the setting up of a new establishment.
- Acquisition by an SME of assets belonging to an establishment that has closed, or would have closed had it not been purchased and is bought by an investor unrelated to the seller (refer to Annex 1 No. 20 for definition of "initial investment"). Note that "establishment" in the context of initial investment is understood as a production unit and not a legal entity.
- The extension of an existing establishment by SMEs only.
- The diversification of the output of an establishment into new additional products, under the condition that the new activity is not the same or a similar activity to the activity (SMEs & large undertakings).
- The fundamental change in the overall process of an existing establishment (SMEs only).
- The acquisition of the capital assets directly linked to an establishment which has closed or would have closed had it not been purchased, and the assets are bought by an independent investor (SMEs & large undertakings).
- In the case of business succession of a small enterprise in favour of family of the original owner(s) or in favour of former employees, the condition that the assets shall be bought by an independent investor shall be waived.

Ineligible Sectors

The Primary Agriculture sector and the Fisheries and Aquaculture sector cannot receive Regional Investment subsidy under this scheme. They may be able to receive assistance through SOSE's Agriculture, Food and Drink Subsidy Scheme or through Minimal Financial Assistance.

Under the terms of the TCA, it is not clear if the sectors previously excluded from Regional Aid under Article 14 of the GBER are to be excluded in the new UK subsidy control regime i.e. steel, shipbuilding, coal, transport and related infrastructure, cruise boats including tourism excursion boats and energy generation, distribution and infrastructure.

UKG in their initial guidance to public authorities acknowledge there are a small number of 'historically sensitive' sectors which have previously been the focus of WTO action. If a subsidy is targeted at these sectors this is likely to increase the risk of trade partners deciding to start a dispute. Examples of these sectors include steel, automotive and aerospace. New Free Trade Agreements are being agreed and these may include specific limitations. Action taken under the terms of an FTA are rare, with countries preferring to use the WTO, but this does not mean the risk of an FTA should be ignored.

It should be assumed the sectors mentioned in this section should not be supported with Regional Investment subsidy through this scheme.

Eligible Costs (one or more of the following)

- Tangible assets – land, buildings, equipment, including professional fees and similar costs arising out of tangible assets which are recorded on the balance sheet.
- Equipment purchased by large undertakings shall be new. Where second had equipment is purchased by SMEs it shall be purchased at market prices which should be objectively verified.
- Costs related to the lease of tangible assets may be taken into account under the following conditions:
  a. for land and buildings, the lease must continue for at least five years after the expected date of completion of the investment project for large undertakings or three years in the case of SMEs
  b. for plant or machinery, the lease must take the form of financial leasing and must contain an obligation for the beneficiary of the subsidy to purchase the asset upon expiry of the term of the lease.
- For subsidy for the diversification of an existing establishment, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as registered in the fiscal year preceding the start of works.
- Intangible assets, up to 100% of eligible costs for SMEs and not exceeding 50% of eligible costs for large undertakings.
- Wage costs - two years of estimated wage costs of net additional employment created directly by the investment project. Net additional jobs are additional jobs created by comparison with the number of jobs present in the previous 12 months before the investment began (on the basis of FTE jobs). Any jobs lost during the first three years on the same site as the project must be deducted from those created, to arrive at the net additional number of jobs created. Jobs to be counted are those created in the first three years following completion of the investment. The wage cost is the gross wage paid to the employee before tax plus compulsory social security charges.
- Acquisition of an existing establishment - only the costs of buying the assets from third parties unrelated to the buyer shall be taken into consideration, except in the case of business succession (see last sentence in this paragraph). The transaction shall take place under market conditions. If State aid or subsidy has already been granted for the acquisition of assets prior to their purchase, the costs of those assets shall be deducted from the eligible costs related to the acquisition of an establishment. Where a member of the family of the

original owner, or an employee, takes over a small enterprise, the condition that the assets be bought from third parties unrelated to the buyer shall be waived.

- The acquisition of shares does not constitute initial investment.
- Additional investment costs to upgrade existing assets. The additional costs of upgraded assets are those costs in excess of the cost of replacement on a like for like basis.
- Subsidy may be calculated based on assets only, wages only or a combination of the two, but see subsidy limits section below.

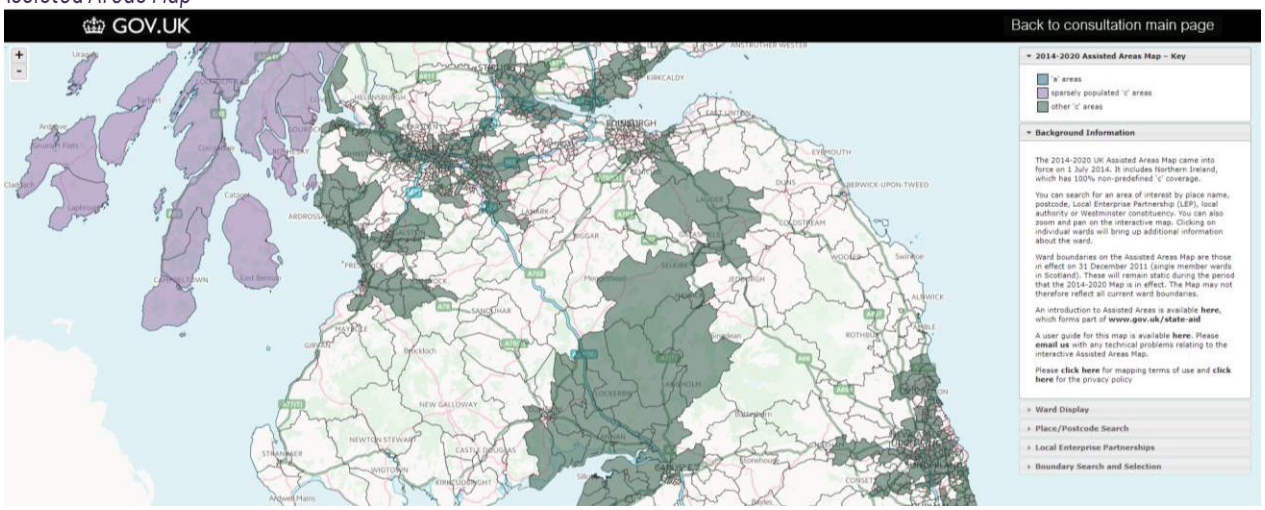
Types of Assistance

Grant, loan, equity, guarantees.

Additional Eligibility Conditions

a. Subsidy provided for tangible assets that are sold or moved out with the assisted area shall be repaid (in full) if the sale or transfer takes place within the following periods: For large undertakings, within 5 years of the completion of the investment. For SMEs, within 3 years from the completion of the investment.
b. When wage costs are used as the eligible costs, the employment created shall be maintained during a minimum of 5 years for large undertakings and 3 years for SMEs.
c. Intangible assets shall be used exclusively in the establishment being assisted by the undertaking receiving the subsidy.
d. Intangible assets shall be those that are regarded as amortizable assets in the formal accounts of the beneficiary.
e. Intangible assets must be purchased from unrelated third parties under market conditions.
f. Intangible assets shall be included in the assets of the beneficiary, for at least 5 years for large undertakings and for at least 3 years for SMEs.
g. The project must not have commenced expenditure on implementation before an application for assistance towards the project has been submitted to SOSE.
h. For SMEs new or second-hand assets shall be purchased at market prices.
i. For large undertakings, equipment purchases shall be new.

Assisted Areas Map



AA Map of defined Assisted Areas in the South of Scotland

The basis for the Regional Investment subsidy ceilings is the UK Assisted Areas (AA) Map, which provides limits in line with EU subsidies and in proportion to the relative economic disadvantage suffered by regions. It has the objective of allowing subsidies to enable initial investments in assets that facilitate growth by subsidy levels that do not unduly distort trade with other regions.

The AA Map, which is the same as was applied under EU State aid law and is based on local authority wards from 2014 listed here[7] was used by the UK Government at the time when this subsidy scheme was created. Although the AA Map is no longer used by the UK Government, SOSE will continue to use it for the duration of this subsidy scheme.

This map and the associated subsidy ceilings therefore apply to subsidies under measures (1.1, 1.2 and 2.3) but note that they do not apply to any other measure in this scheme.

Subsidy Limits

The table below gives the maximum subsidy levels in grant/grant equivalent as a percentage of the total value of eligible costs in the project whether or not the grant is paid out against all of the eligible costs. The calculation of subsidy limits may be based on assets only, wages only or a combination of the two provided that the resulting subsidy does not exceed the most favourable amount from the calculation based on either wages or assets.

Project location	Small	Medium	Large
Non pre-defined Article 107(3)c Assisted Area (shaded green in above picture)	35%	25%	15%

Private sector financing (including own funds and borrowing from the private sector) must be at least 25% of eligible costs, meaning that any combination of public funding by way of grants, loans and equity shall not exceed 75% of eligible project costs.

Scheme subsidy ceiling

The ceiling on the subsidy amount for this measure adopts the new EU Regional Aid Guidelines from January 2022 in terms of the Adjusted Subsidy Amount formula.

Large projects (costs over £42.5m) - reduced subsidy ceilings apply to the part of the project costs which exceed £42.5m (see definition Annex 1 No. 23), requiring calculation of the "Adjusted Subsidy Amount" (below and Annex 1 No. 24) and taking account of other aided or subsidised initial investments (Annex 1 No. 20) that would count as a "Single Investment Project".

Specific Definitions

- *Single Investment Project* - any initial investment started by the same beneficiary (at group level) within a period of three years from the date of the start of works on another aided or subsidised investment in the same level three region of the Nomenclature of Territorial Units for statistics (NUTS 3) shall be considered part of a single investment project. The NUTS areas for the South of Scotland are:
    - UKM24 – Scottish Borders
    - UKM32 – Dumfries and Galloway

  Where the single investment project is a large investment project (costs over €50m), the total subsidy amount for the single investment project shall not exceed the "adjusted subsidy amount".

  Adjusted subsidy amount the maximum permissible subsidy for a large investment project should be calculated according to the following formula:

  Maximum subsidy amount = $R \times (A + 0.5 \times B + 0.34 \times C)$

where: R is the maximum subsidy intensity applicable in the area concerned, excluding the increased subsidy intensity for SMEs. A is the initial £42.5 million of eligible costs, B is the part of eligible costs between £42.5 million and £85 million, and C is the part of eligible costs above £85 million.

Measure 1.2 SME Investment

Eligible Activities

This covers subsidy for activities in certain sectors that are ineligible for Regional Investment subsidy or where the obligation to retain the asset in the assisted area is not desired.

Such activities can be for any of the following purposes by an SME:

- The setting up of a new establishment
- The extension of an existing establishment
- The diversification of the output of an establishment into new additional products
- The fundamental change in the overall process of an existing establishment
- The acquisition of the capital assets directly linked to an establishment which has closed or would have closed had it not been purchased, and the assets are bought by an independent investor: in the case of business succession of a Small Enterprise in favour of family of the original owner(s) or in favour of former employees, the condition that the assets shall be bought by an independent investor shall be waived.

Ineligible Activities

- Subsidy may not be given for the replacement of capital assets
- The sole acquisition of the shares (that is, without acquiring the actual assets) of an undertaking shall not constitute investment.

Geographic Eligibility

The investment must be within the South of Scotland. Due to the SME supplements available under Regional Investment providing higher assistance ceilings these powers are only relevant in certain exceptional cases where the project may not be eligible for Regional investment Subsidy.

Sectoral Eligibility

The sectors that may receive SME investment subsidy that cannot receive Regional investment subsidy are as follows:

- Steel
- Coal
- Shipbuilding
- Synthetic fibres
- Transport
- Energy generation
- Energy infrastructure
- Energy distribution

Ineligible sectors are:

- Fishing, fish processing and aquaculture
- Primary production of agricultural products, including the growing of trees
- Subsidy for the processing and marketing of agricultural products

Subsidy Limits

The table below gives the maximum subsidy levels in Grant / grant equivalents as % of eligible costs:

	Small	Medium	Large
Investments with up to £7.5m of grant and grant equivalent subsidy per undertaking per investment project.	20%	10%	0%

The calculation of subsidy ceilings may be done on the basis of assets only, wages only or a combination of the two. See the following section for details.

Eligible Costs

Investment comprising one or more of the following:

- Tangible assets – land, buildings, equipment, and Intangible Assets. The latter may amount to 100% of investment costs.
- Estimated age costs:
    - Two years of estimated wage costs of net additional employment created directly by the investment project
    - Net additional jobs are additional jobs created by comparison with the number of jobs present in the previous 12 months before the investment began (on the basis of FTE jobs)
    - Any jobs lost during the first three years on the same site as the project must be deducted from those created, to arrive at the net additional number of jobs created
    - Jobs to be counted are those created in the first three years following completion of the investment
    - The wage cost is the gross wage paid to the employee before tax plus compulsory social security charges
- The acquisition of the assets belonging to an establishment that would have closed if it had not been purchased - only the costs of buying assets from third parties unrelated to the buyer shall be considered, provided that the transaction has taken place under market conditions.
- Equipment lease costs - as an alternative to conventional purchase, and provided that the lease contains an obligation to purchase the asset at the expiry of the term.
- Land and buildings lease costs, provided the lease term is at least 3 years.
- Additional investment costs to up-grade existing assets. The additional costs of up-graded assets are those costs in excess of the cost of replacement on a like for like basis.
- The acquisition of shares does not constitute investment

The calculation of subsidy ceilings may be on the basis of assets only, wages only or a combination of the two provided that the resulting subsidy does not exceed the most favourable amount from the calculation based on either wages or assets.

Types of Assistance

Grant, loan, equity, guarantees.

Conditions Attaching to the Subsidy

(a) subsidy provided for tangible assets that are sold shall be repaid (in full) if the sale or transfer takes place within 3 years from the completion of the investment.

(b) When wage costs are used as the eligible costs, the employment so created shall be maintained during a minimum of 3 years.

(c) Intangible assets shall be used exclusively in the establishment being assisted by the undertaking receiving the subsidy.

(d) Intangible assets shall be regarded as amortizable assets in the formal accounts of the beneficiary.

(e) Intangible assets must be purchased from third parties under market conditions, without the acquirer being in a position to have decisive control on the seller or vice versa by virtue of acquisition or by rights or contract.

(f) Intangible assets shall be included in the assets of the beneficiary for at least 3 years.

(g) The project must not have commenced expenditure on implementation before an application for assistance towards the project has been submitted to SOSE.

Measure 1.3 Local Infrastructure Investment

Financial assistance for creating business infrastructures for use by others for commercial purposes.

These subsidies enable the provision of infrastructures for use by others on terms comparable to other regions and as such provide no financial advantage to the users over competitors in other regions. The subsidy levels can therefore extend to higher levels than under Measure 1.1, and the calculation of subsidy limits is based on the minimum necessary to allow a normal return on the investment when the assets are charged-for at commercial rates.

Eligible Activities and Special Conditions

Financing for the construction or upgrade of local infrastructures, which concerns infrastructure that contribute at a local level to improving the business and consumer environment and modernising and developing the industrial base.

The infrastructure shall be made available to interested users on an open, transparent, and non-discriminatory basis. The price charged for the use or the sale of the infrastructure shall correspond to market price.

Any concession or other entrustment to a third party to operate the infrastructure shall be assigned on an open, transparent, and non-discriminatory basis, having due regard to the applicable procurement rules.

Geographic Eligibility

All of the South of Scotland.

Eligible Sectors

This Measure should not be used for maritime port infrastructure or sport and multifunctional leisure and recreation infrastructures but measures 1.4, 1.5 and 5.2 respectively cover these types of local infrastructures. The Measure may be used for shipyards which are below the thresholds for shipbuilding and ship repair (see Annex 1 No. 49 for definition).

Dedicated infrastructure may not be assisted under this Measure, but it may be assisted under Measure 1.1 (capital investment by commercial enterprises). Dedicated Infrastructure means facilities that are built for undertakings that have been identified prior to construction and that have been tailored to their needs.

Subsidy Limits

The subsidy amount shall not exceed the difference between the eligible costs and the operating profit of the investment. Subsidies under the scheme are capped when either the subsidy is £10m or more, or the project costs are £20m or more.

The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism. Thus, it is possible to use either an up-front definition of subsidy levels as an alternative to a claw-back based on actual revenues and costs. Reasonable projections should be verified by appropriate analysis, using experts if necessary and retained on the appraisal file.

Eligible Costs
The eligible costs shall be the investment costs in tangible and intangible assets.

Types of Assistance
Grant, equity, loan or guarantees.

Measure 1.4 Ports and Harbours Infrastructure

Eligible Activities
Capital investment in the construction, replacement, or upgrade of port infrastructure. A port is defined as "an area of land and water made up of such infrastructure and equipment necessary to permit the reception of waterborne vessels, their loading and unloading, the receipt, storage and delivery of goods, the embarkation and disembarkation of passengers and crew and the infrastructure necessary for transport operators within the port". This means ports and harbours engaged in commercial and industrial activities where the port authority or harbour trust will gain an economic advantage from the development.
[N.B. marinas and slipways that are available free of charge for local or community use or where the level of berthing use by visitors from other Member States represents a very small percentage of the annual visitor numbers are unlikely to meet the definition of a "subsidy" under this scheme.]

Special Conditions
The subsidised infrastructure shall be made available to all interested users on an equal and non-discriminatory basis on market terms. Any concession or other entrustment to a third party to construct, upgrade, operate or rent subsidised port infrastructure shall be assigned on a competitive, transparent, non-discriminatory, and unconditional basis. The definitions for terms used in this measure can be found in Annex 1 No. 50 to 61.

Geographic Eligibility
All of the South of Scotland.

Eligible Costs
The eligible costs shall be the costs, including planning costs of:

a) construction, replacement or upgrade or port infrastructure i.e. –
   - facilities for transport related port services e.g. berthing or mooring of ships, quay walls, jetties, or floating pontoon ramps in tidal areas
   - internal basins, backfills and land reclamation
   - alternative fuel infrastructure (to supply vessels with electricity, hydrogen, or biofuels – more at Annex 1 No. 57)
   - facilities for collecting ship-generated waste or cargo residues.

b) construction, replacement, or upgrade of access infrastructure i.e. –
   - roads, railway tracks, channels, and locks; and

c) dredging –
   - removal of sediments from the bottom of the waterway access to, or within, a port

- new channels or maintenance dredging are eligible subject to the limits below. A dredging project is defined as all dredging carried out within a one calendar year period.

Ineligible Costs

- Costs relating to non-transport related activities, including industrial production facilities active in a port, offices, or shops. Industrial facilities may be considered under Chapter 1 Measure 1.3 Local infrastructure provided they are not bespoke and will be made openly available at market rates
- Port superstructures defined as surface arrangements.

Subsidy Limits

The subsidy amount shall not exceed the difference between the eligible costs and the operating profit of the investment or dredging. The operating profit shall be deducted from the eligible costs ex-ante, on the basis of reasonable projections, or through a claw-back mechanism. Reasonable projections should be verified by appropriate analysis, using independent experts if necessary, and retained on the project file.

The subsidy intensity per investment for port infrastructure, point a) above, shall not exceed:

I. 100% of the eligible costs where the total eligible project costs are up to £20M;
II. 85%* of the eligible costs where the total eligible project costs are above £20M and up to £50M;
III. 65%* of the eligible costs where the total eligible project costs are above £50M and up to £130M.
IV. The maximum amount of subsidy shall be £130m under this Scheme.

The subsidy intensity per investment for access infrastructure and dredging, points b) and c) above, shall not exceed 100% of the eligible project costs up to £130M.
For subsidy not exceeding £5M, the maximum amount of subsidy may be set at 80% of eligible project costs as an alternative to applying the methods above.

Types of Assistance

Grant, loan, equity, guarantees.

Chapter 2 - Support for Business Growth

This chapter support our priorities of supporting successful, productive, and resilient businesses, enhancing employment and business skills.

Measure 2.1 Consultancy Support for SMEs

For the use of external consultants.

Eligible Beneficiaries

Small and Medium sized Enterprises under the EU definition.

Eligible Activities

Subsidy towards purchase consultancy to improve or develop their business.

Geographic Eligibility

The investment must be within the South of Scotland.

Sectoral Eligibility

All sectors are eligible except for primary agriculture, fisheries, aquaculture, and fish processing.

Subsidy Limits

The subsidy in grant or grant equivalence terms shall not exceed 50% of eligible costs up to a maximum of £2m per project.

Eligible Costs

The eligible costs shall be the costs of services provided by external consultants

Types of Assistance

Grant, loan, or access to subsidised state funded consultants.

Conditions Attaching to the Subsidy

Services purchased from consultants shall not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal service, advertising, or payroll services.

Measure 2.2 Trade Fair Support for SMEs

For attendance at trade fairs.

Eligible Beneficiaries

Small and Medium sized Enterprises under the EU definition.

Eligible Activities

Subsidy to enable participation in trade fairs (including repeat participations).

Geographic Eligibility

The investment must be within the South of Scotland.

Sectoral Eligibility
All sectors are eligible except for primary agriculture, fisheries, aquaculture, and fish processing.

Subsidy Limits
The subsidy in grant or grant equivalence terms shall not exceed 50% of eligible costs, up to a maximum of £2m per enterprise per year.

Eligible Costs
The eligible costs shall be the costs incurred for renting, setting up and running the stand for the participation of an undertaking in any particular fair or exhibition.

Types of Assistance
Grant, loan, or access to subsidised state funded trade fairs.

Measure 2.3 Support for the Start-Up of New Small Enterprises

2.3.1 Support for the start-up of new small enterprises

Eligibility of Undertaking
Eligible undertakings shall be Small Enterprises up to five years following their registration which fulfil the following conditions:

- It has not taken over the activity of another enterprise
- It has not yet distributed profits
- It has not been formed through a merger unless the date of registration of the older enterprise in the merger would be less than 5 years from the date the subsidy will be actually granted.

For eligible undertakings that are not subject to registration the five years eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.

Eligible Activity
Subsidy is for the start-up costs of newly created small enterprises.

Geographic Eligibility
The investment must be within an Assisted Area in the South of Scotland.

2.3.2 Support for the start-up of new small innovative enterprises

Eligibility of Undertaking
In addition to the eligibility criteria and activity above, an innovative enterprise means an enterprise:

a. that can demonstrate, by means of an evaluation carried out by an external expert that it will in the foreseeable future develop products, services or processes which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure, or
b. the research and development costs of which represent at least 10% of its total operating costs in at least one of the three years preceding the granting of the subsidy or, in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

Types of Assistance

a. loans with interest rates which do not conform with market conditions, with a duration of 10 years and up to a maximum nominal amount of £1.5m. For loans with a duration comprised between 5 and 10 years the maximum amounts may be adjusted by multiplying the amounts above by the ratio between 10 years and the actual duration of the loan. For loans with a duration of less than 5 years, the maximum amount shall be the same as for loans with a duration of 5 years;
b. guarantees with premiums which do not conform to market conditions, with duration of 10 years and up to maximum £2m. For guarantees with a duration comprised between 5 and 10 years the maximum amount guaranteed amounts may be adjusted by multiplying the amounts above by the ratio between 10 years and the actual duration of the guarantee. For guarantees with a duration of less than 5 years, the maximum amount guaranteed shall be the same as for guarantees with a duration of 5 years. The guarantee shall not exceed 80% of the underlying loan.
c. grants, equity or quasi equity investment, and interest rate and guarantee premium reductions.

Geographic Eligibility

The investment must be within an Assisted Area in the South of Scotland.

Sectoral Eligibility

The following sectors may not receive this subsidy:

a. primary production of agricultural products
b. processing and marketing of agricultural products
c. Fishing, aquaculture, and fish processing

Subsidy Limits

The limits depend on the form of assistance (grants, loans, or guarantees). A beneficiary can receive support through a mix of the instruments referred to above provided that the proportion of the amount granted through one subsidy instrument, calculated on the basis of the maximum subsidy amount allowed for that instrument, is taken into account in order to determine the residual proportion of the maximum subsidy amount allowed for the other instruments forming part of such a mixed instrument.

Note that the loans or guarantees may be charged for at rates less than market rates, and there is no difference in the amounts that can be offered even if the rates charged for the loan or guarantee are zero. The subsidy limits have been calculated on the assumption of zero charges, therefore this practice would be quite legitimate if SOSE considered it appropriate for the project.

For grants the limit is £0.5m. Provided the cumulative amount of all subsidy awards under this measure does not breach the ceiling, then second and subsequent tranches may be awarded.
For different periods of loans and guarantees the ceilings are in the table below:

Type Subsidy	Subsidy limit	Comment
Grant	£600,000	Grant or grant equivalents if phased grant release, per undertaking
Loan	£3,000,000 £2,500,000 £2,142,857 £1,875,000 £1,666,667	Loan term 1-5 years per undertaking Loan term 6 years per Loan term 7 years per Loan term 8 years Loan term 9 years

Type Subsidy	Subsidy limit	Comment
	£1,500,000	Loan term 10 years
Guarantees	 £2,250,000 £2,500,000 £2,812,500 £3,214,286 £3,750,000 £4,500,000	Per undertaking Guarantee lasting 10 years Guarantee lasting 9 years Guarantee lasting 8 years Guarantee lasting 7 years Guarantee lasting 6 years Guarantee lasting 5 years
For 2.3.2 only i.e. small innovative enterprises	Double those for 'Small enterprise start up subsidy' above	Per undertaking

Measure 2.4 Training Support

Eligible Activities

This subsidy covers the costs of training for companies. SOSE sometimes finances training events and invites undertakings to send employees for training, which may be free of charge or charged for at a subsidised price.

Subsidy shall not be granted for training which undertakings carry out to comply with national mandatory standards on training. Note that support for further education and Apprenticeships are not classified as subsidy.

Eligible Undertakings

SMEs and large undertakings.

Eligible Costs

The eligible costs shall be the following:

(a) trainers' personnel costs (wages plus National Insurance), for the hours during which the trainers participate in the training;
(b) trainers' and trainees' operating costs directly relating to the training project such as travel expenses, accommodation costs, materials and supplies directly related to the project, depreciation of tools and equipment, to the extent that they are used exclusively for the training project.);
(c) costs of advisory services linked to the training project;
(d) trainees' personnel costs (wages plus National Insurance) and general indirect costs (administrative costs, rent, overheads) for the hours during which the trainees participate in the training.

Types of Assistance

Grant or loan.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All sectors.

Subsidy Limits

There is no distinction between general and specific training.

The subsidy intensity in terms of grant or grant equivalence shall not exceed the following % of eligible costs:

Type of Subsidy	Small	Medium	Large
Training grant	70%	60%	50%
If training given to workers with disabilities or disadvantaged workers	70%	70%	60%

Where the subsidy is granted in the maritime transport sector, the subsidy intensity may be increased to 100% of the eligible costs provided that the following conditions are met:

(a) the trainees are not active members of the crew but are supernumerary on board; and
(b) the training is carried out on board of ships entered in UK or EU registers.

The total amount of subsidy is capped at £2m per project.

Measure 2.5 Support to Employ Disadvantaged and Disabled Workers

2.5.1 Subsidy for the recruitment of disadvantaged workers

Eligible Activities:

Subsidy schemes to support the recruitment of disadvantaged workers in the form of wage subsidies.

A 'disadvantaged worker' means any person who:

(a) has not been in regular paid employment for the previous 6 months; or
(b) is between 15 and 24 years of age; or
(c) has not attained an upper secondary educational or vocational qualification (International Standard Classification of Education 3) or is within two years after completing full-time education and who has not previously obtained his or her first regular paid employment; or
(d) is over the age of 50 years; or
(e) lives as a single adult with one or more dependents; or
(f) works in a sector or profession where the gender imbalance is at least 25% higher than the average gender imbalance across all economic sectors in the UK, and belongs to that underrepresented gender group; or
(g) is a member of an ethnic minority within the UK and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All sectors.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalence shall not exceed 50% of eligible costs, capped at £5m per enterprise per year.

Eligible Costs

Eligible costs shall be the wage costs over a maximum period of 12 months following recruitment of a disadvantaged worker. Where the worker concerned is a severely disadvantaged worker, eligible costs shall be the wage costs over a maximum period of 24 months following recruitment.

A 'severely disadvantaged worker' means any person who:

(a) has not been in regular subsidy employment for at least 24 months; or

(b) has not been in regular subsidy employment for at least 12 months and belongs to one of the categories (b) to (g) mentioned under the definition of 'disadvantaged worker'.

Types of Assistance

Grant or loan.

Conditions Attaching to the Subsidy

Where the recruitment does not represent a net increase, compared with the average over the previous 12 months, in the number of employees in the undertaking concerned, the post or posts shall have fallen vacant following voluntary departure, disability, retirement on grounds of age, voluntary reduction of working time or lawful dismissal for misconduct and not as a result of redundancy.

Except in the case of lawful dismissal for misconduct, the disadvantaged workers shall be entitled to continuous employment for a minimum period consistent with the national legislation concerned or any collective agreements governing employment contracts.

If the period of employment is shorter than 12 months, or 24 months in the case of severely disadvantaged workers, the subsidy shall be reduced pro rata.

2.5.2 Subsidy for the employment of workers with disabilities.

Eligible Activities

Subsidy for the employment of workers with disabilities in the form of wage subsidies

A 'worker with disabilities' means any person who:

(a) is recognised as worker with disabilities under national law; or

(b) has long-term physical, mental, intellectual, or sensory impairment(s) which, in interaction with various barriers, may hinder their full and effective participation in a work environment on an equal basis with other workers.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All sectors.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalence shall not exceed 75% of eligible costs, capped at £10m per undertaking per year.

Eligible Costs

Eligible costs shall be the wage costs over any given period during which the worker with disabilities is employed.

Types of Assistance

Grant or loan.

Conditions Attaching to the Subsidy

Where the recruitment does not represent a net increase, compared with the average over the previous twelve months, in the number of employees in the undertaking concerned, the post or posts shall have fallen vacant following voluntary departure, disabilities, retirement on grounds of age, voluntary reduction of working time or lawful dismissal for misconduct and not as a result of redundancy.

Except in the case of lawful dismissal for misconduct, the workers with disabilities shall be entitled to continuous employment for a minimum period consistent with the national legislation concerned or any collective agreements which are legally binding for the undertaking and governing employment contracts.

2.5.3 Subsidy for the additional costs of employing workers with disabilities

Eligible Activities

The assistance provided shall consist of measures to compensation for the additional costs of employing workers with disabilities.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All sectors.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalent shall not exceed 100% of eligible costs, capped at £10m per undertaking per year.

Eligible Costs

(a) costs of adapting the premises
(b) costs of employing staff solely for time spent on the assistance of the workers with disabilities and of training such staff to assist workers with disabilities
(c) costs of adapting or acquiring equipment, or acquiring and validating software for use by workers with disabilities, including adapted or assistive technology facilities, which are additional to those which the beneficiary would have incurred had it employed workers who are not workers with disabilities
(d) costs directly linked to transport of workers with disabilities to the working place and for work related activities
(e) wage costs for the hours spent by a worker with disabilities on rehabilitation
(f) where the beneficiary provides sheltered employment, the costs of constructing, installing, or modernising the production units of the undertaking concerned, and any costs of administration and transport, provided that such costs result directly from the employment of workers with disabilities.

Types of Assistance

Grant or loan.

2.5.4 Subsidy for the costs of assistance provided to disadvantaged workers

Eligible Activities

The assistance provided shall consist of measures to support the disadvantaged worker's autonomy and adaptation to the work environment, in accompanying the worker in social and administrative procedures, facilitation of communication with the entrepreneur and managing conflicts.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All sectors.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalent shall not exceed 50% of eligible costs, capped at £5m per undertaking per year.

Eligible Costs

(a) employing staff solely for times spent on the assistance of the disadvantaged workers over a maximum period of 12 months following recruitment of as disadvantaged worker or over a maximum period of 24 months following recruitment of a severely disadvantaged worker.
(b) Training such staff to assist disadvantaged workers.

Types of Assistance

Grant or loan.

Chapter 3 - Research, Development, and Innovation (R&D&I)

This chapter concerns support for R&D&I projects undertaken by commercial enterprises. It is anticipated that almost all support from SOSE to projects in this chapter will be caught by the TCA and Joint Declaration on Subsidy Control Policies which states:

> *"Subsidies may be granted for research and development activities. 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 (Party being UK or EU).*
>
> *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."*

Measure 3.1 Fundamental Research

Experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view.

Measure 3.2 Industrial Research

The planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes, or services or for bringing about a significant improvement in existing products, processes, or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation.

Measure 3.3 Experimental Development

Acquiring, combining, shaping, and using existing scientific, technological, business, and other relevant knowledge and skills with the aim of developing new or improved products, processes, or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services; Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product, and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services, and other operations in progress, even if those changes may represent improvements.

Measure 3.4 Feasibility Studies

The evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

Eligible Undertakings

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Eligible Costs

The eligible costs of research and development projects shall be allocated to a specific category of research and development and shall be the following:

(a) personnel costs: researchers, technicians and other supporting staff to the extent employed on the project
(b) costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible
(c) costs for of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible
(d) costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project
(e) additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project

The eligible costs for feasibility studies shall be the costs of the study.

Types of Assistance

Grant, equity, or loan.

Geographic Eligibility

All of the South of Scotland.

Conditions Attaching to the Subsidy

Note that there is no condition preventing the sale of the R&D results outside the company or region.

Subsidy Limits

Type of Research	Small	Medium	Large
Fundamental research	100%	100%	100%
Industrial research	70%	60%	50%
Experimental development	45%	35%	25%
Feasibility studies	70%	60%	50%

The subsidy intensities for industrial research and experimental development may be increased 15%, up to a cap of 80% if one of the following conditions is fulfilled:

Either:

(a) the project involves effective collaboration:
    (i) between undertakings among which at least one is an SME, or is carried out in at least two EU Member States, or in a Member State subsidy in a Contracting Party of the EEA Agreement, and no single undertaking bears more than 70% of the eligible costs, or

(ii) between an undertaking and one or more research and knowledge-dissemination organisations, where the latter bear at least 10% of the eligible costs and have the right to publish their own research results.

or:

(b) the results of the project are widely disseminated through conferences, publication, open access repositories, or free or open source software.

The maximum rates would thus be:

Type of Research	Small	Medium	Large
Industrial research	80%	75%	50%
Experimental development	60%	50%	40%

The amount of subsidy is also restricted to the following levels under this scheme. Subsidy exceeding these levels must be justified as ad hoc subsidy via Subsidy Control team within BIIA.

Type of Subsidy	Subsidy ceiling under the scheme	Comment
R&D - Fundamental Research	£40m grant	Per project per undertaking
	£60m repayable advance	Repayment = advance plus interest at EU discount rate
	€80m grant	If part of an EU Eureka project or implemented by a joint undertaking
R&D - Industrial Research	£20m grant	Per project per undertaking
	£30m repayable advance	Repayment = advance plus interest at EU discount rate
	€40m	If part of an EU Eureka project or implemented by a joint undertaking
R&D - Experimental Development	£15m grant	Per project per undertaking
	£22.5m repayable advance	Repayment = advance plus interest at EU discount rate
	€30m	If part of an EU Eureka project or implemented by a joint undertaking
Feasibility studies for R&D	£7.5m	Per study

Measure 3.5 Support for Investment in Research Infrastructures

Eligible Activities

Subsidy for construction or upgrade of research infrastructures that perform economic activities.

Eligible Undertakings

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Eligible Costs
The eligible costs shall be the investment costs in intangible and tangible assets.

Types of Assistance
Grant, equity, or loan.

Conditions Attaching to the Subsidy
Where a research infrastructure pursues both economic and non-economic activities, the financing, costs, and revenues of each type of activity shall be accounted for separately on the basis of consistently applied and objectively justifiable cost accounting principles.

The price charged for the operation or use of the infrastructure shall correspond to a market price.
Access to the infrastructure shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 10% of the investment costs of the infrastructure may be granted preferential access under more favourable conditions. In order to avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs and these conditions shall be made publicly available.

Where a research infrastructure receives public funding for both economic and non-economic activities, SOSE shall put in place a monitoring and claw-back mechanism in order to ensure that the applicable subsidy intensity is not exceeded as a result of an increase in the share of economic activities compared to the situation envisaged at the time of awarding the subsidy.

Geographic Eligibility
All of the South of Scotland.

Sectoral Eligibility
All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits
The subsidy intensity in terms of grant or grant equivalent shall not exceed 50% of the eligible costs. Subsidy amounts may not exceed £20m per infrastructure under this scheme.

Measure 3.6 Support for Innovation Clusters

Eligible Activities
Subsidy for the setting up, marketing and operating of innovation clusters.

Eligible Undertakings
The legal entity operating the innovation cluster (cluster organisation).

Eligible Costs
The eligible costs of operating subsidy for innovation clusters shall be the personnel and administrative costs (including overhead costs) relating to:

(a) animation of the cluster to facilitate collaboration, information sharing and the provision or channelling of specialised and customised business support services;
(b) marketing of the cluster to increase participation of new undertakings or organisations and to increase visibility;
(c) management of the cluster's facilities; organisation of training programmes, workshops, and conferences to support knowledge sharing and networking and transnational cooperation;
(d) investment costs in construction or upgrade of innovation clusters, including both tangible assets. This precludes assisting a property developer via this measure, unless the property develop also becomes the cluster operator;
(e) Investment subsidy may be granted for the construction or upgrade of innovation clusters. The eligible costs shall be the investment costs in intangible and tangible assets.

Type of Assistance

Grant or loan to the legal entity operating the innovation cluster (cluster organisation). Operating subsidy may be granted for the operation of innovation clusters. It shall not exceed 10 years.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The subsidy intensities in terms of grant or grant equivalence are as follows:

Type of Subsidy	All undertakings
Investment subsidy for innovation clusters	55%
Operating subsidy for innovation clusters	50%

Subsidy amounts are capped at £7.5m per cluster.

Conditions Attached to the Subsidy

Access to the cluster's premises, facilities and activities shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 10% of the investment costs of the innovation cluster may be granted preferential access under more favourable conditions. In order to avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs and these conditions shall be made publicly available.

The fees charged for using the cluster's facilities and for participating in the cluster's activities shall correspond to the market price or reflect their costs.

Measure 3.7 Innovation Support for SMEs

Eligible Activities

Subsidy for the revenue costs of innovation for SMEs.

Eligible Undertakings

SMEs.

Eligible Costs

The eligible costs shall be the following:

(a) costs for obtaining, validating, and defending patents and other intangible assets;

(b) costs for secondment of highly qualified personnel from a research and knowledge-dissemination organization or a large enterprise, working on research, development, and innovation activities in a newly created function within the beneficiary and not replacing other personnel;

(c) costs for innovation advisory and support services.

Type of Assistance

Grant or loan.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Only SMEs may be assisted.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalence shall not exceed 50% of the eligible costs. In the particular case of subsidy for innovation advisory and support services the subsidy intensity can be increased up to 100% of the eligible costs provided that the total amount of subsidy for innovation advisory and support services does not exceed £200,000 per undertaking within the current fiscal year and the two preceding fiscal years. Note that despite the similarity between this and Minimal Financial Assistance (MFA), this type of subsidy does not count towards the MFA allowance.

Type of Subsidy	SMEs	
Innovation support	55%	
Operating subsidy for innovation clusters	50%	Maximum of £200k over 3 years

The amount per subsidy is capped at £5m.

Measure 3.8 Process and Organisation Innovation

Eligible Activities

Revenue costs for process and organisational innovation.

Eligible Undertakings

Subsidy to large undertakings shall only be compatible if they effectively collaborate with SMEs in the subsidised activity and the collaborating SMEs incur at least 30% of the total eligible costs. SMEs may be assisted independently of large undertakings.

Eligible Costs

The eligible costs shall be the following:

(a) personnel costs;
(b) costs of instruments, equipment, buildings, and land to the extent and for the period used for the project;
(c) costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions;
(d) additional overheads and other operating costs, including costs of materials, supplies and similar products, incurred directly as a result of the project.

Types of Assistance

Grants or loans.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The subsidy intensities in terms of grant or grant equivalence shall not exceed the following % of the eligible costs:

Type of Subsidy	Small	Medium	Large
Process and organisation innovation	50%	50%	15%

Subsidies are capped at £7.5m per applicant per project under this scheme.

Chapter 4 – Contributing to Net Zero Targets

This chapter supports our Just Transition to net zero and green jobs priorities by assisting carbon reduction and other environmental measures.

Measure 4.1 Support for Energy Efficiency Measures

Eligible Activities

Subsidy to support investments to achieve energy efficiency.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalence shall not exceed the following % of eligible costs:

Type of Subsidy	Small	Medium	Large
Energy efficiency measures	55%	45%	35%

Subsidy amounts may not exceed £15m under this measure.

Eligible Costs

The eligible costs shall be the extra investment costs necessary to achieve the higher level of energy efficiency. They shall be determined as follows:

(a) where the costs of investing in energy efficiency can be identified in the total investment cost as a separate investment, this energy efficiency-related cost shall constitute the eligible costs;

(b) in all other cases, the costs of investing in energy efficiency are identified by reference to a similar, less energy efficient investment that would have been credibly carried out without the subsidy. The difference between the costs of both investments identifies the energy efficiency-related cost and constitutes the eligible costs. The costs not directly linked to the achievement of a higher level of energy efficiency shall not be eligible.

Types of Assistance

Grant or loan.

Conditions Attaching to Subsidy

Subsidy shall not be granted under this measure where improvements are undertaken to ensure that undertakings comply with environmental standards already adopted, even if they are not yet in force.

Measure 4.2 Capital Investment in Energy from Renewable Sources

Eligible Activities

To enable the beneficiary to install power plant or heating facilities to produce energy from renewable energy sources; subsidy is for the additional costs of investment from renewable sources versus less environmentally-friendly sources as shown in (a), (b) and (c) under Eligible Costs.

Investment subsidy for the production of biofuels shall be exempted from the notification requirement only to the extent that the subsidised investments are used for the production of sustainable bio-fuels other than food-based biofuels. However, investment subsidy to convert existing food-based bio-fuel plants into advanced bio-fuel plants shall be permitted provided that the food-based production would be reduced commensurate to the new capacity.

Subsidy shall not be granted for biofuels which are subject to a supply or blending obligation. The investment subsidy shall be granted to new installations only.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Eligible Costs

The eligible costs shall be the extra investment costs necessary to promote the production of energy from renewable sources. They shall be determined as follows:

(a) where the costs of investing in the production of energy from renewable sources can be identified in the total investment cost as a separate investment, for instance as a readily identifiable add-on component to a pre-existing facility, this renewable energy-related cost shall constitute the eligible costs;

(b) where the costs of investing in the production of energy from renewable sources can be identified by reference to a similar, less environmentally friendly investment that would have been credibly carried out without the subsidy, this difference between the costs of both investments identifies the renewable energy-related cost and constitutes the eligible costs;

(c) for certain small installations where a less environmentally, friendly investment cannot be established as plants of a limited size do not exist, the total investment costs to achieve a higher level of environmental protection shall constitute the eligible costs. The costs not directly linked to the achievement of a higher level of environmental protection shall not be eligible.

Types of Assistance

Grant or loan.

Conditions Attaching to the Subsidy

No subsidy shall be granted or paid out after the installation started operations and subsidy shall be independent from the output.

Subsidy Limits

The table below gives the maximum subsidy levels in Grant / grant equivalence as % of eligible costs:

Type of Subsidy	Small	Medium	Large
For projects where eligible costs are calculated on basis of (a) or (b) above	70%	60%	50%
For projects where eligible costs are calculated on basis of (c) above	55%	45%	35%

Where subsidy is granted in a competitive bidding process on the basis of clear, transparent, and non-discriminatory criteria, the subsidy intensity may reach 100% of the eligible costs. Such a bidding process shall be non-discriminatory and provide for the participation of all interested undertakings. The budget related to the bidding process shall be a binding constraint in the sense that not all participants can receive subsidy and the subsidy shall be granted on the basis of the initial bid submitted by the bidder, therefore excluding subsequent negotiations.

Subsidy amounts are capped at £15m.

Measure 4.3 Support for Environmental Studies

Eligible Activities

Subsidy for studies, including energy audits, directly linked to investments referred to in this Chapter.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The subsidy intensity in terms of grant or grant equivalence shall not exceed the following:

Type of Subsidy	Small	Medium	Large
Environmental studies	70%	60%	50%

Subsidy amounts are capped at £15m under this measure.

Eligible Costs

Costs of the studies.
Subsidy shall not be granted to large enterprises for energy audits.

Types of Assistance

Grant or loan.

Measure 4.4 Investment Subsidy for Remediation of Contaminated Sites

Eligible Activities

The objective is to bring contaminated land, brown-field land, and derelict land back into productive use by addressing the detrimental effects of previous usage. This is related to pollution and contamination only and not

a derelict structure. The investment shall lead to the repair of the environmental damage, including damage to the quality of the soil or of surface water or groundwater.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The maximum subsidy level in grant or grant equivalence is 100% of eligible costs. Subsidy amounts are capped at £20m under this measure.

Eligible Costs

The eligible costs shall be the costs incurred for the remediation work, less the increase in the value of the land. All expenditure incurred by an undertaking in remediating its site, whether or not such expenditure can be shown as a fixed asset on its balance sheet, may be considered as eligible investment in the case of the remediation of contaminated sites.

Evaluations of the increase in value of the land resulting from remediation shall be carried out by an independent expert.

Types of Assistance

Grant or loan.

Conditions attaching to the Subsidy

Where the legal or physical person liable for the environmental damage is identified, that person must finance the remediation in accordance with the 'polluter pays' principle, and no subsidy shall be granted. Where the person liable under the applicable law is not identified or cannot be made to bear the costs, the person responsible for the remediation or decontamination work may receive subsidy.

Measure 4.5 Waste Recycling and Re-utilisation

Eligible Activities

- The investment subsidy shall be granted to an undertaking for the recycling and re-utilisation of waste generated by other undertakings.
- The recycled or re-used materials treated would otherwise be disposed of or be treated in a less environmentally friendly manner. Subsidy to waste recovery operations other than recycling is not eligible under this Measure.
- The subsidy shall not indirectly relieve the polluters from a burden that should be borne by them in law, or from a burden that should be considered a normal company cost.
- The investment shall not merely increase demand for the materials to be recycled without increasing collection of those materials.
- The investment shall go beyond the state of the art.
- Subsidy for investments relating to the recycling and re-utilisation of the beneficiary's own waste shall not be exempt from the notification requirement under this Measure.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

The table below gives the maximum subsidy levels in Grant / grant equivalence as % of eligible costs:

Type of Subsidy	Small	Medium	Large
For waste recycling and re-utilisation projects	60%	50%	40%

Subsidy amounts are capped at £15m per undertaking per project under this measure.

Eligible Costs

The eligible costs shall be the extra investment costs necessary to realise an investment leading to better or more efficient recycling or re-use activities compared to a conventional process of re-use and recycling activities with the same capacity that would be constructed in the absence of the subsidy.

Types of Assistance

Grant or loan.

Chapter 5 - Culture, Sport & Heritage Conservation

This chapter supports SOSE's priorities of supporting strong, capable, and resourceful communities and taking place-based approaches to wellbeing and community wealth building.

Measure 5.1 Culture and Heritage Conservation Support

Eligible Activities

The subsidy shall be granted for the following cultural purposes and activities:

(a) museums, archives, libraries, artistic and cultural centres or spaces, theatres, cinemas, opera houses, concert halls, other live performance organisations, film heritage institutions and other similar artistic and cultural infrastructures, organisations, and institutions;
(b) tangible heritage including all forms of movable or immovable cultural heritage and archaeological sites, monuments, historical sites, and buildings; natural heritage linked to cultural heritage or if formally recognized as cultural or natural heritage by the competent public authorities;
(c) intangible heritage in any form, including folklorist customs and crafts;
(d) art or cultural events and performances, festivals, exhibitions, and other similar cultural activities;
(e) cultural and artistic education activities as well as promotion of the understanding of the importance of protection and promotion of the diversity of cultural expressions through educational and greater public awareness programs, including with the use of new technologies;
(f) writing, editing, production, distribution, digitisation and publishing of music and literature, including translations.

The subsidy may take the form of:

(a) investment subsidy, including subsidy for the construction or upgrade of culture infrastructure;
(b) operating subsidy.

Subsidy to press and magazines, whether they are published in print or electronically, shall not be eligible under this Measure.

Geographic Eligibility

All of the South of Scotland.

Sectoral Eligibility

All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits

For investment subsidy, the subsidy amount shall not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism. The operator of the infrastructure is allowed to keep a reasonable profit over the relevant period.

'operating profit' means the difference between the discounted revenues and the discounted operating costs over the relevant lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment subsidy.

Investment subsidy amounts are capped at £150m per project under this measure.
For operating subsidy, the subsidy amount shall not exceed what is necessary to cover the operating losses and a "reasonable profit" over the relevant period. This shall be ensured ex ante, on the basis of reasonable projections, or through a claw-back mechanism. See Annex 1 No. 104 for "reasonable profit".

For subsidy not exceeding £2m, the maximum amount of subsidy may be set at 80% of eligible costs as an alternative to applying the method above.

For publishing of music and literature as defined in paragraph (f) in 'Eligible Activities', the maximum subsidy amount shall not exceed either the difference between the eligible costs and the project's discounted revenues or 70% of the eligible costs. The revenues shall be deducted from the eligible costs ex ante or through a clawback mechanism. The eligible costs shall be the costs for publishing of music and literature, including the authors' fees (copyright costs), translators' fees, editors' fees, other editorial costs (proofreading, correcting, reviewing), layout and pre-press costs and printing or e-publication costs.

Operating subsidy amounts are capped at £75m per undertaking per year under this measure.

Eligible Costs

For investment subsidy, the eligible costs shall be the investment costs in tangible and intangible assets, including:

(a) costs for the construction, upgrade, acquisition, conservation, or improvement of infrastructure, if at least 80% of either the time or the space capacity per year is used for cultural purposes;
(b) costs for the acquisition, including leasing, transfer of possession or physical relocation of cultural heritage;
(c) costs for safeguarding, preservation, restoration, and rehabilitation of tangible and intangible cultural heritage, including extra costs for storage under appropriate conditions, special tools, materials and costs for documentation, research, digitalisation, and publication;
(d) costs for improving the accessibility of cultural heritage to the public, including costs for digitisation and other new technologies, costs to improve accessibility for persons with special needs (in particular, ramps and lifts for disabled persons, braille indications and hands-on exhibits in museums) and for promoting cultural diversity with respect to presentations, programmes and visitors;
(e) costs for cultural projects and activities, cooperation and exchange programmes and grants including costs for selection procedures, costs for promotion and costs incurred directly as a result of the project;

For operating subsidy, the eligible costs shall be the following:

(a) the cultural institution's or heritage site's costs linked to continuous or periodic activities including exhibitions, performances and events and similar cultural activities that occur in the ordinary course of business;
(b) costs of cultural and artistic education activities as well as promotion of the understanding of the importance of protection and promotion of the diversity of cultural expressions through educational and greater public awareness programs, including with the use of new technologies;
(c) costs of the improvement of public access to the cultural institution or heritage sites and activities including costs of digitisation and of use of new technologies as well as costs of improving accessibility for persons with disabilities;
(d) operating costs directly relating to the cultural project or activity, such as rent or lease of real estate, cultural venues, travel expenses, materials and supplies directly related to the cultural project or activity, architectural structures for exhibitions and stage sets, loan, lease and depreciation of tools, software and equipment, costs for access rights to copyright works and other related intellectual property rights protected contents, costs for promotion and costs incurred directly as a result of the project or activity;

depreciation charges and the costs of financing are only eligible if they have not been covered by investment subsidy;

(e) costs for personnel working for the cultural institution or heritage site or for a project;

(f) costs for advisory and support services provided by outside consultants and service providers, incurred directly as a result of the project.

Types of Assistance

Grant, equity, or loan.

Measure 5.2 Sport and Multifunctional Leisure and Recreation Facilities

Eligible Activities and Special Conditions

A subsidy for sport and multifunctional recreational infrastructures may take the form of:

(a) investment subsidy, including subsidy for the construction or upgrade of sport and multifunctional recreational infrastructure;

(b) operating subsidy for sport infrastructure.

Sport infrastructure shall not be used exclusively by a single professional sport user. Use of the sport infrastructure by other professional or non-professional sport users shall annually account for at least 20% of time. If the infrastructure is used by several users simultaneously, corresponding fractions of time capacity usage shall be calculated.

Professional sport means the practice of sport in the nature of gainful employment or remunerated service, irrespective of whether or not a formal labour contract has been established between the professional sportsperson and the relevant sport organisation, where the compensation exceeds the cost of participation and constitutes a significant part of the income for the sportsperson. Travel and accommodation expenses to participate to the sport event shall not be considered as compensation.

Multifunctional recreational infrastructure shall consist of recreational facilities with a multi-functional character offering, in particular, cultural, and recreational services with the exception of leisure parks and hotel facilities.

Access to the sport or multifunctional recreational infrastructures shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 30% of the investment costs of the infrastructure may be granted preferential access under more favourable conditions, provided those conditions are made publicly available.

If sport infrastructure is used by professional sport clubs, SOSE shall ensure that the pricing conditions for its use are made publicly available.

Any concession or other entrustment to a third party to construct, upgrade and/or operate the sport or multifunctional recreational infrastructure shall be assigned on an open, transparent, and non-discriminatory basis, having due regard to the applicable procurement rules.

Geographic Eligibility

All of the South of Scotland.

Subsidy Limits

For investment subsidy for sport and multifunctional recreational infrastructure, the subsidy amount shall not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit

shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism.
The subsidy amounts under the scheme are capped at:

- £30m of subsidy or £100m per project of total costs for capital projects; and
- £2m per annum for operating cost subsidies for an individual infrastructure.

For operating subsidy for sport infrastructure, the subsidy amount shall not exceed the operating losses over the relevant period. This shall be ensured ex ante, on the basis of reasonable projections, or through a claw-back mechanism.

For subsidy not exceeding £2m, the maximum amount of grant or grant equivalence may be set at 80% of eligible costs as an alternative to applying the method above.

Eligible Costs

For investment subsidy for sport and multifunctional recreational infrastructure the eligible costs shall be the investment costs in tangible and intangible assets.

For operating costs subsidy for sport infrastructure, the eligible costs shall be the operating costs of the provision of services by the infrastructure. Those operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, etc., but exclude depreciation charges and the costs of financing if these have been covered by investment subsidy.

Types of Assistance

Grant, equity, or loan.

Measure 5.3 Audio-Visual Cultural Products

Eligible Activities

Subsidy schemes to support the scriptwriting, development, production, distribution, and promotion of audio-visual works

Subsidy shall support a cultural product. To avoid manifest errors in the qualification of a product as cultural; SOSE is required to establish effective processes, such as selection of proposals by one or more persons entrusted with the selection or verification against a predetermined list of cultural criteria.

Subsidy may take the form of:

(a) subsidy to the production of audio-visual works;
(b) pre-production subsidy; and
(c) distribution subsidy.

Where it is decided to make the subsidy subject to territorial spending obligations, subsidy schemes for the production of audio-visual works may either:

(a) require that up to 160% of the subsidy granted to the production of a given audio visual work is spent in the territory of the UK; or
(b) calculate the subsidy granted to the production of a given audio-visual work as a percentage of the expenditure on production activities in the UK, typically in case of subsidy schemes in the form of tax incentives.

In both cases, it is at SOSE's discretion if we require a minimum level of expenditure in the South of Scotland. For projects to be eligible for subsidy, that level shall not exceed 80% of the overall production budget.

For projects to be eligible for subsidy SOSE may also require as a condition that a minimum level of production activity takes place within the South of Scotland, but that level shall not exceed 50% of the overall production budget.

Geographic Eligibility
All of the South of Scotland.

Sector Eligibility
All undertakings except those in agriculture and fisheries, which may be subsidised via the SOSE schemes for those sectors. Large undertakings and SMEs may be assisted.

Subsidy Limits
The subsidy intensity in terms of grant or grant equivalence for the production of audio-visual works shall not exceed the following:

Activity	Subsidy as % of total eligible costs	Comment
Production	50%	
Distribution	50%	
As above when co-funded by an EU Member State	60%	Cross-border productions
"Difficult" works and co-productions involving countries from the OECD's Development Assistance Committee	100%	Subsidy must not be skewed so that production receives more than 100% eligible costs

Subsidy amounts are capped at £50m per scheme per year under this measure.

Difficult audio visual works means the works identified as such by Member States on the basis of pre-defined criteria when setting up schemes or granting the subsidy and may include films whose sole original version is in a language of a Member State with a limited territory, population or language area, short films, films by first-time and second-time directors, documentaries, or low budget or otherwise commercially difficult works.

Development Assistance Committee (DAC) List of the OECD means all countries and territories that are eligible to receive official development assistance and included in the list compiled by the Organisation for Economic Cooperation and Development (OECD).

The subsidy intensity for pre-production shall not exceed 100% of the eligible costs. If the resulting script or project is made into an audio-visual work such as a film, the pre-production costs shall be incorporated in the overall budget and taken into account when calculating the subsidy intensity. The subsidy intensity for distribution shall be the same as the subsidy intensity for production.

Eligible Costs
The eligible costs shall be the following:

(a) production subsidy: the overall costs of production of audio-visual works including costs to improve accessibility for persons with disabilities.
(b) for pre-production subsidy: the costs of scriptwriting and the development of audio-visual works.
(c) for distribution subsidy: the costs of distribution and promotion of audio-visual works.

Types of Assistance

Grant or loan.

Conditions Attaching to the Subsidy

Subsidy shall not be reserved for specific production activities or individual parts of the production value chain. Subsidy for film studio infrastructures shall not be eligible under this Measure.

Conditions may be imposed that require a proportion of the expenditure on production activities to be made in the South of Scotland, in Scotland or in the UK. Details as outlined in the eligible activities section.

Annex 1 – Definitions

As this scheme closely resembles our former GBER scheme the definitions have largely been retained. However, for legal purposes, this scheme and these definitions are no longer subject to those contained within Article 2 of the GBER (EU) 651/2014 and the Amending Regulation 2017/1084.

Within this scheme guidance we may refer to "beneficiaries", "undertakings" or "economic actors" when referring to clients receiving subsidy. In using any of these we align with the definition in the UK-EU Trade and Cooperation Agreement (TCA) for "economic actor".

1. "economic actor" means an entity or a group of entities constituting a single economic entity, regardless of its legal status, that is engaged in an economic activity by offering goods or services ona market. If a group of companies, partnership or joint venture concerned in the economic activity are acting together and share the risks and rewards they form part of the single economic entity. However, if they are operating through a supply agreement or service contract which has been competitively tendered the supplier is not considered part of the single economic entity.
2. 'small and medium-sized enterprises' or 'SMEs' means undertakings fulfilling the criteria laid down in Annex I;
3. 'large enterprises' means undertakings not fulfilling the criteria for an SME (according to the EU definition);
4. 'subsidy' means public sector assistance (financial and non-financial) as defined in the TCA Title XI, Chapter 3, Article 3.1.b).
5. 'individual subsidy' means awards of subsidy to individual beneficiaries on the basis of a registered subsidy scheme;
6. 'subsidy scheme' means a scheme registered on the UK Government publicly available website to support the transparency reporting of subsidies made by UK public authorities;
7. 'ad hoc subsidy' means subsidy not granted on the basis of a subsidy scheme but registered separately on the UK Government transparency database;
8. 'date of granting of the subsidy' means the date when the legal right to receive the subsidy is conferred on the beneficiary under the applicable national legal regime;
9. 'repayable advance' means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project;
10. 'gross grant equivalent' means the amount of the subsidy if it had been provided in the form of a grant to the beneficiary, before any deduction of tax or other charge;
11. 'undertaking in difficulty' means an undertaking (see "economic actor" definition above) in respect of which at least one of the following circumstances occurs:
    a. In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid or subsidy, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' is a public company limited by shares or guarantee or private companies limited by shares or guarantee
    b. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid or subsidy, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited

liability for the debt of the company' refers in particular to partnerships, limited partnerships, unlimited companies[1].

c. Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
d. Where the undertaking has received rescue aid or subsidy and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid or subsidy and is still subject to a restructuring plan.
e. In the case of large undertakings (undertakings that are not SMEs), where, for the past two years:
    i. the undertaking's book debt to equity ratio has been greater than 7,5 and
    ii. the undertaking's EBITDA value is less than the cost of interest.

12. 'financial intermediary' means any financial institution regardless of its form and ownership, including fund-of funds, private equity investment funds, public investment funds, banks, micro-finance institutions and guarantee societies;
13. 'quasi-equity investment' means a type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity and whose return for the holder is predominantly based on the profits or losses of the underlying target undertaking and which are unsecured in the event of default. Quasi-equity investments can be structured as debt, unsecured and subordinated, including mezzanine debt, and in some cases convertible into equity, or as preferred equity;
14. 'guarantee' in the context of this scheme means a written commitment to assume responsibility for all or part of a third party's newly originated loan transactions such as debt or lease instruments, as well as quasi-equity instruments.
15. 'risk finance investment' means equity and quasi-equity investments, loans including leases, guarantees, or a mix thereof to eligible undertakings for the purposes of making new investments;
16. 'equity investment' means the provision of capital to an undertaking, invested directly or indirectly in return for the ownership of a corresponding share of that undertaking;
17. 'first commercial sale' means the first sale by a company on a product or service market, excluding limited sales to test the market;
18. 'loan' means an agreement which obliges the lender to make available to the borrower an agreed amount of money for an agreed period of time and under which the borrower is obliged to repay the amount within the agreed period. It may take the form of a loan, or another funding instrument, including a lease, which provides the lender with a predominant component of minimum yield. The refinancing of existing loans shall not be an eligible loan.

Definitions applying Chapter 1

19. 'regional investment' means subsidy granted for an initial investment or an initial investment in favour of a new economic activity;
20. 'initial investment' means:
    a. an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or
    b. an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking;

[1] As defined in Annex 2 of the EU Directive 2013/34

Note that "establishment" in the context of initial investment is understood as a production unit and not a legal entity. An initial investment is one subsidised by Regional Investment or SME Investment subsidy and no other measures within this or any other SOSE subsidy scheme.

21. 'the same or a similar activity' means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains;
22. 'new economic activity' in the context of initial investment means:
    a. an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment;
    b. the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition;

    Note that "establishment" in the context of initial investment is understood as a production unit and not a legal entity.
23. 'large investment project' means an initial investment with eligible costs exceeding £42.5 million;
24. 'adjusted subsidy amount' means the maximum permissible subsidy amount for a large investment project, calculated according to the following formula:

    Maximum subsidy amount = R × (A + 0.5 × B + 0.34 × C)

    where: R is the maximum subsidy intensity applicable in the area concerned, excluding the increased subsidy intensity for SMEs. A is the initial £42.5 million of eligible costs, B is the part of eligible costs between £42.5 million and £85 million, and C is the part of eligible costs above £85 million.
25. 'start of works' means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. An investment is considered irreversible if the financial penalty of cancellation would make it financially better for the applicant to continue with the project without Subsidy then cancel the commitment. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works except in the case where buying land and preparatory works prior to the start of construction or legally binding commitment exceeds the private sector commitment to the project. Where these preliminary costs exceed the private sector contribution it is necessary for an application to have been submitted to satisfy SOSE's additionality considerations.
26. 'relocation' means a transfer of the same or similar activity or part thereof from an establishment in one contracting party to the EEA Agreement (initial establishment) to the establishment in which the aided investment takes place in another contracting party to the EEA Agreement (aided establishment). There is a transfer if the product or service in the initial and in the aided establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the beneficiary in the EEA;
27. 'tangible assets' means assets consisting of land, buildings and plant, machinery and equipment;
28. 'intangible assets' means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property;
29. 'wage cost' means the total amount actually payable by the beneficiary of the subsidy in respect of the employment concerned, comprising over a defined period of time the gross wage before tax and compulsory contributions such as social security, child care and parent care costs;
30. 'net increase in the number of employees' means a net increase in the number of employees in the establishment concerned compared with the average over a given period in time, and that any posts lost

during that period must therefore be deducted and that the number of persons employed full-time, part-time and seasonal has to be considered with their full-time equivalent fractions;

31. 'dedicated infrastructure' means infrastructure that is built for *ex-ante* identifiable undertakings and tailored to their needs.
32. 'competitive bidding process' means a non-discriminatory bidding process that provides for the participation of a sufficient number of undertakings and where the subsidy is granted on the basis of either the initial bid submitted by the bidder or a clearing price. In addition, the budget or volume related to the bidding process is a binding constraint leading to a situation where not all bidders can receive subsidy;
33. 'operating profit' means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude, for the purpose of this Regulation, depreciation charges and the costs of financing if these have been covered by investment subsidy. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made.
34. 'transport' means transport of passengers by aircraft, maritime transport, road, rail, or by inland waterway or freight transport services for hire or reward; 26.6.2014 EN Official Journal of the European Union L 187/17
35. 'transport costs' means the costs of transport for hire or reward actually paid by the beneficiaries per journey, comprising:
    a) freight charges, handling costs and temporary stocking costs, in so far as these costs relate to the journey;
    b) insurance costs applied to the cargo;
    c) taxes, duties, or levies applied to the cargo and, if applicable, to the deadweight, both at point of origin and point of destination; and
    d) safety and security control costs, surcharges for increased fuel costs;
36. 'journey' means the movement of goods from the point of origin to the point of destination, including any intermediary sections or stages within or outside the Member State concerned, made using one or more means of transport;
37. 'point of destination' means the place where the goods are unloaded;
38. 'point of origin' means the place where the goods are loaded for transport;
39. 'means of transport' means rail transport, road freight transport, inland waterway transport, maritime transport, air transport, and intermodal transport;
40. 'marketing of agricultural products' means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers shall be considered to be marketing if it takes place in separate premises reserved for that purpose;
41. 'primary agricultural production' means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products;
42. 'processing of agricultural products' means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale;
43. 'agricultural product' means the products listed in Annex I to the WTO Agreement on Agriculture;
44. 'coal' means high-grade, medium-grade and low-grade category A and B coal within the meaning of the international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines;
45. 'steel sector' means all activities related to the production of one or more of the following products:

a. pig iron and ferro-alloys: pig iron for steelmaking, foundry and other pig iron, spiegeleisen, and high-carbon ferro-manganese, not including other ferro-alloys;
b. crude and semi-finished products of iron, ordinary steel or special steel: liquid steel whether or not cast into ingots, including ingots for forging semi- finished products: blooms, billets and slabs; sheet bars and tinplate bars; hot-rolled wide coils, with the exception of production of liquid steel for castings from small and medium-sized foundries;
c. hot finished products of iron, ordinary steel or special steel: rails, sleepers, fishplates, soleplates, joists, heavy sections of 80 mm and over, sheet piling, bars and sections of less than 80 mm and flats of less than 150 mm, wire rod, tube rounds and squares, hot-rolled hoop and strip (including tube strip), hot-rolled sheet (coated or uncoated), plates and sheets of 3 mm thickness and over, universal plates of 150 mm and over, with the exception of wire and wire products, bright bars and iron castings;
d. cold finished products: tinplate, terneplate, black plate, galvanised sheets, other coated sheets, cold-rolled sheets, electrical sheets and strip for tinplate, cold-rolled plate, in coil and in strip;
e. tubes: all seamless steel tubes, welded steel tubes with a diameter of over 406.4 mm;

46. 'synthetic fibres sector' means:
a. extrusion/texturisation of all generic types of fibre and yarn based on polyester, polyamide, acrylic or polypropylene, irrespective of their end-uses; or
b. polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or
c. any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective beneficiary or by another company in the group to which it belongs and which, in the specific business activity concerned, is normally integrated with such capacity in terms of the machinery used;

47. 'transport sector' means the transport of passengers by aircraft, maritime transport, road, or rail and by inland waterway or freight transport services for hire or reward; more specifically, the 'transport sector' means the following activities in terms of NACE Rev. 2:[2]
a. NACE 49: Land transport and transport via pipelines, excluding NACE 49.32 Taxi operation, 49.42 Removal services, 49.5 Transport via pipeline;
b. NACE 50: Water transport; including cruise boats and tourism excursion boats
c. NACE 51: Air transport, excluding NACE 51.22 Space transport.

48. 'tourism activity' means the following activities in terms of NACE Rev. 2:
a. NACE 55: Accommodation;
b. NACE 56: Food and beverage service activities;
c. NACE 79: Travel agency, tour operator reservation service and related activities;
d. NACE 90: Creative, arts and entertainment activities;
e. NACE 91: Libraries, archives, museums, and other cultural activities;
f. NACE 93: Sports activities and amusement and recreation activities;

49. Shipbuilding and related activity for the purposes of this scheme
(a) 'shipbuilding' means the building, in the Union, of self- propelled commercial vessels;
(b) 'ship repair' means the repair or reconditioning, in the Union, of self-propelled commercial vessels;
(c) 'ship conversion' means the conversion, in the Union, of self-propelled commercial vessels of not less than 1 000 Gross Tonnes (gt), on condition that conversion operations entail radical alterations to the cargo plan, the shell, the propulsion system or the passenger accommodation;
(d) 'self-propelled commercial vessel' means a vessel that, by means of its permanent propulsion and steering, has all the characteristics of self-navigability on the high seas or on inland waterways and belongs to one of the following categories:

[2] NACE is the EU equivalent of UK SIC codes

(i) seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the transportation of passengers and/or goods;
(ii) seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the performance of a specialised service (for example, dredgers and ice breakers);
(iii) tugs of not less than 365 kW;
(iv) unfinished shells of the vessels referred to in points (i), (ii) and (iii) that are afloat and mobile;

(e) 'floating and moving offshore structures' means structures for the exploration, exploitation or generation of oil, gas or renewable energy that have the characteristics of a commercial vessel except that they are not self-propelled and are intended to be moved several times during their operation.

Definitions applying to Subsidy for ports

50. 'port' means an area of land and water made up of such infrastructure and equipment, so as to permit the reception of waterborne vessels, their loading and unloading, the storage of goods, the receipt and delivery of those goods and the embarkation and disembarkation of passengers, crew and other persons and any other infrastructure necessary for transport operators in the port;
51. 'maritime port' means a port for, principally, the reception of sea-going vessels;
52. 'inland port' means a port other than a maritime port, for the reception of inland waterway vessels;
53. 'port infrastructure' means infrastructure and facilities for the provision of transport related port services, for example berths used for the mooring of ships, quay walls, jetties and floating pontoon ramps in tidal areas, internal basins, backfills and land reclamation, alternative fuel infrastructure and infrastructure for the collection of ship-generated waste and cargo residues;
54. 'port superstructure' means surface arrangements (such as for storage), fixed equipment (such as warehouses and terminal buildings) as well as mobile equipment (such as cranes) located in a port for the provision of transport related port services;
55. 'access infrastructure' means any type of infrastructure necessary to ensure access and entry from land or sea and river by users to a port, or in a port, such as roads, rail tracks, channels, and locks;
56. 'dredging' means the removal of sediments from the bottom of the waterway access to a port, or in a port;
57. 'alternative fuel infrastructure' means a fixed, mobile or offshore port infrastructure allowing a port to supply vessels with energy sources such as electricity, hydrogen, biofuels as defined in point (i) of Article 2 of Directive 2009/28/EC, synthetic and paraffinic fuels, natural gas, including biomethane, in gaseous form (compressed natural gas and liquefied natural gas) and liquefied petroleum gas which serve, at least partly, as a substitute for fossil oil sources in the energy supply to transport and which have the potential to contribute to its decarbonisation and enhance the environmental performance of the transport sector;
58. 'vessels' mean floating structures, whether self-propelled or not, with one or more surface displacement hulls;
59. 'sea-going vessels' mean vessels other than those which navigate solely or mainly in inland waterways or in waters within, or closely adjacent to, sheltered waters;
60. 'inland waterway vessels' mean vessels intended solely or mainly for navigation on inland waterways or in waters within, or closely adjacent to, sheltered waters;
61. 'infrastructure for the collection of ship-generated waste and cargo residues' means fixed, floating or mobile port facilities capable of receiving ship-generated waste or cargo residues as defined in Directive 2000/59/EC of the European Parliament and of the Council.

Definitions applying Chapter 2

62. 'innovative enterprise' means an enterprise:
    (a) that can demonstrate, by means of an evaluation carried out by an external expert that it will in the foreseeable future develop products, services or processes which are new or substantially improved

compared to the state of the art in its industry, and which carry a risk of technological or industrial failure, or

(b) the research and development costs of which represent at least 10 % of its total operating costs in at least one of the three years preceding the granting of the subsidy or, in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor;

63. 'worker with disabilities' means any person who:
    a) is recognised as worker with disabilities under national law; or
    b) has long-term physical, mental, intellectual, or sensory impairment(s) which, in interaction with various barriers, may hinder their full and effective participation in a work environment on an equal basis with other workers;
64. 'disadvantaged worker' means any person who:
    a) has not been in regular paid employment for the previous 6 months; or
    b) is between 15 and 24 years of age; or
    c) has not attained an upper secondary educational or vocational qualification (International Standard Classification of Education 3) or is within two years after completing full-time education and who has not previously obtained his or her first regular paid employment; or
    d) is over the age of 50 years; or
    e) lives as a single adult with one or more dependents; or
    f) works in a sector or profession in a Member State where the gender imbalance is at least 25 % higher than the average gender imbalance across all economic sectors in that Member State, and belongs to that underrepresented gender group; or
    g) is a member of an ethnic minority within a Member State and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment;
65. 'severely disadvantaged worker' means any person who:
    (a) has not been in regular paid employment for at least 24 months; or
    (b) has not been in regular paid employment for at least 12 months and belongs to one of the categories (b) to (g) mentioned under the definition of 'disadvantaged worker'.
66. 'sheltered employment' means employment in an undertaking where at least 30 % of workers are workers with disabilities.

Definitions applying to Chapter 3

67. 'research and knowledge-dissemination organisation' means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it;
68. 'fundamental research' means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view;
69. 'industrial research' means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes, or services or for bringing about a significant improvement in existing products, processes, or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an

environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation;

70. 'experimental development' means acquiring, combining, shaping, and using existing scientific, technological, business, and other relevant knowledge and skills with the aim of developing new or improved products, processes, or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services; Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product, and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services, and other operations in progress, even if those changes may represent improvements;
71. 'feasibility study' means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success;
72. 'personnel costs' means the costs of researchers, technicians and other supporting staff to the extent employed on the relevant project or activity;
73. 'arm's length' means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent enterprises and contain no element of collusion. Any transaction that results from an open, transparent, and non-discriminatory procedure is considered as meeting the arm's length principle;
74. 'effective collaboration' means collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and provision of research services are not considered forms of collaboration.
75. 'research infrastructure' means facilities, resources and related services that are used by the scientific community to conduct research in their respective fields and covers scientific equipment or sets of instruments, knowledge-based resources such as collections, archives or structured scientific information, enabling information and communication technology-based infrastructures such as grid, computing, software and communication, or any other entity of a unique nature essential to conduct research. Such infrastructures may be 'single-sited' or 'distributed' (an organised network of resources) in accordance with Article 2(a) of Council Regulation (EC) No 723/2009 of 25 June 2009 on the Community legal framework for a European Research Infrastructure Consortium (ERIC);
76. 'innovation clusters' means structures or organised groups of independent parties (such as innovative start-ups, small, medium and large enterprises, as well as research and knowledge dissemination organisations, non-for-profit organisations and other related economic actors) designed to stimulate innovative activity through promotion, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to knowledge transfer, networking, information dissemination and collaboration among the undertakings and other organisations in the cluster;
77. 'highly qualified personnel' means staff having a tertiary education degree and at least 5 years of relevant professional experience which may also include doctoral training;

78. 'innovation advisory services' means consultancy, assistance and training in the fields of knowledge transfer, acquisition, protection and exploitation of intangible assets, use of standards and regulations embedding them;
79. 'innovation support services' means the provision of office space, data banks, libraries, market research, laboratories, quality labelling, testing and certification for the purpose of developing more effective products, processes or services;
80. 'organisational innovation' means the implementation of a new organisational method in an undertaking's business practices, workplace organisation or external relations, excluding changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;
81. 'process innovation' means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;
82. 'secondment' means temporary employment of staff by a beneficiary with the right for the staff to return to the previous employer.

Definitions applying to Chapter 4

83. 'environmental protection' means any action designed to remedy or prevent damage to physical surroundings or natural resources by a beneficiary's own activities, to reduce risk of such damage or to lead to a more efficient use of natural resources, including energy-saving measures and the use of renewable sources of energy;
84. 'energy efficiency' means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy-efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption;
85. 'energy efficiency project' means an investment project that increases the energy efficiency of a building;
86. 'energy efficiency fund (EEF)' means a specialised investment vehicle set up for the purpose of investing in energy efficiency projects aimed at improving the energy efficiency of buildings in both the domestic and non-domestic sectors. EEFs are managed by an energy efficiency fund manager;
87. 'energy efficiency fund manager' means a professional management company with a legal personality, selecting and making investments in eligible energy efficiency projects;
88. 'energy from renewable energy sources' means energy produced by plants using only renewable energy sources, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources. It includes renewable electricity used for filling storage systems, but excludes electricity produced as a result of storage systems;
89. 'renewable energy sources' means the following renewable non-fossil energy sources: wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;
90. 'biofuel' means liquid or gaseous fuel for transport produced from biomass;
91. 'sustainable biofuel' means a biofuel fulfilling the sustainability criteria set out in Article 17 of Directive 2009/28/EC;
92. 'food based biofuel' means a biofuel produced from cereal and other starch rich crops, sugars and oil crops as defined in the Commission's Proposal for a Directive of the European Parliament and of the Council

amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources;

93. 'biomass' means the biodegradable fraction of products, waste, and residues from agriculture (including vegetal and animal substances), forestry and related industries including fisheries and aquaculture, as well as biogases and the biodegradable fraction of industrial and municipal waste;
94. 'contaminated site' means a site where there is a confirmation presence, caused by man, of hazardous substances of such a level that they pose a significant risk to human health or the environment taking into account current and approved future use of the land;
95. 'polluter pays principle' or 'PPP' means that the costs of measures to deal with pollution should be borne by the polluter who causes the pollution;
96. 'pollution' means the damage caused by a polluter directly or indirectly damaging the environment, or by creating conditions leading to such damage to physical surroundings or natural resources;
97. 'polluter' means someone who directly or indirectly damages the environment or who creates conditions leading to such damage.
98. 're-use' means any operation by which products or components that are not waste are used again for the same purpose for which they were conceived;
99. 'preparing for re-use' means checking, cleaning or repairing recovery operations, by which products or components of products that have become waste are prepared so that they can be re-used without any other pre-processing;
100. 'recycling' means any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations;
101. 'state of the art' means a process in which the re-use of a waste product to manufacture an end product is economically profitable normal practice. Where appropriate, the concept of state of the art must be interpreted from a Union technological and internal market perspective;
102. 'energy infrastructure' means any physical equipment or facility which is located within the EU or linking the EU to one or more third countries and falling under the following categories:
    (a) concerning electricity:
        (i) infrastructure for transmission, as defined in Article 2(3) by Directive 2009/72/EC of 13 July 2009 concerning common rules for internal market in electricity;
        (ii) infrastructure for distribution, as defined in Article 2(5) by Directive 2009/72/EC;
        (iii) electricity storage, defined as facilities used for storing electricity on a permanent or temporary basis in above-ground or underground infrastructure or geological sites, provided they are directly connected to high-voltage transmission lines designed for a voltage of 110 kV or more;
        (iv) any equipment or installation essential for the systems defined in points (i) to (iii) to operate safely, securely and efficiently, including protection, monitoring and control systems at all voltage levels and substations; and (v) smart grids, defined as any equipment, line, cable or installation, both at transmission and low and medium voltage distribution level, aiming at two-way digital communication, real-time or close to real time, interactive and intelligent monitoring and management of electricity generation, transmission, distribution and consumption within an electricity network in view of developing a network efficiently integrating the behaviour and actions of all users connected to it – generators, consumers and those that do both – in order to ensure an economically efficient, sustainable electricity system with low losses and high quality and security of supply and safety;
    (b) concerning gas:

(i) transmission and distribution pipelines for the transport of natural gas and bio gas that form part of a network, excluding high-pressure pipelines used for upstream distribution of natural gas;

(ii) underground storage facilities connected to the high-pressure gas pipelines mentioned in point (i);

(iii) reception, storage and regasification or decompression facilities for liquefied natural gas ('LNG') or compressed natural gas ('CNG'); and (iv) any equipment or installation essential for the system to operate safely, securely and efficiently or to enable bi-directional capacity, including compressor stations;

(c) concerning oil:

(i) pipelines used to transport crude oil;

(ii) pumping stations and storage facilities necessary for the operation of crude oil pipelines; and

(iii) any equipment or installation essential for the system in question to operate properly, securely and efficiently, including protection, monitoring and control systems and reverse-flow devices;

(d) concerning CO2: networks of pipelines, including associated booster stations, for the transport of CO2 to storage sites, with the aim to inject the CO2 in suitable underground geological formations for permanent storage;

Definitions applying to Chapter 5

103. 'professional sport' means the practice of sport in the nature of gainful employment or remunerated service, irrespective of whether or not a formal labour contract has been established between the professional sportsperson and the relevant sport organisation, where the compensation exceeds the cost of participation and constitutes a significant part of the income for the sportsperson. Travel and accommodation expenses to participate to the sport event shall not be considered as compensation for the purposes of this Regulation.

104. 'Reasonable profit' shall be determined with respect to the typical profit for the sector concerned. In any event, a rate of return on capital that does not exceed the relevant swap rate plus a premium of 100 basis points will be considered to be reasonable.

105. 'difficult audio-visual works': means the works identified as such by Member States on the basis of pre-defined criteria when setting up schemes or granting the subsidy and may include films whose sole original version is in a language of a Member State with a limited territory, population or language area, short films, films by first-time and second-time directors, documentaries, or low budget or otherwise commercially difficult works.

106. Development Assistance Committee (DAC) is a list of the OECD: means all countries and territories that are eligible to receive official development assistance and included in the list compiled by the Organisation for Economic Cooperation and Development (OECD);

Annex 2: Assessment of how individual subsidies comply with UK-EU Trade and Cooperation Agreement principles.

For subsidies in scope of the UK-EU Trade and Cooperation Agreement principles (subsidies Title XI, Chapter 3), public authorities are required to complete the table below and retain for their records. The information records how SOSE has complied with the principles in designing this subsidy scheme.

Scheme name:	SOSE Economic Development Subsidy Scheme – extended to 31 December 2031

Principles	How does the subsidy comply with the principle?
The subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns ("the objective").	This scheme will be the principal instrument under which SOSE will grant subsidy in pursuit of our economic development objectives. These can be viewed on our website. SOSE was established by the Scottish Government in recognition of the unique circumstances of the South of Scotland, and the need for a fresh approach to drive inclusive growth across the area. Our statutory aims and powers are provided for in The South of Scotland Enterprise Act 2019 . These require us to further the sustainable economic and social development of the South of Scotland and to improve the amenity and environment of the region. To achieve those aims SOSE takes a wide range of actions to support inclusive and sustainable economic growth, to increase efficiency, innovation and competitiveness, and to tackle inequality within the region. Each application under the scheme will be assessed for strategic fit and impact and individual subsidy awards will be based on the result of this analysis.
The subsidy is proportionate and limited to what is necessary to achieve the objective.	The intervention limits set for measures within this scheme are similar to those under our previous GBER scheme to remain reasonably aligned with the non-distortive EU exemptions. Individual applications under the scheme will be subject to an appropriate level of financial due diligence according to value and risk. SOSE's financial appraisal will review the position of each applicant to ensure any subsidy is the minimum amount necessary to incentivise the development.

	Financial due diligence will assess their financial strength through historic and current performance of the applicant, future projections, scrutiny of the project costs for eligibility and value for money and other sources of commercial or public support that should be accessed before SOSE plugs the gap.
The subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of the subsidy being provided.	SOSE will assess additionality in each application for financial assistance. Applicants will have to demonstrate that SOSE support will bring about a material inducement to them proceeding with the project.
The subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.	Financial appraisal procedures and scrutiny of the activity and project costs will ensure that operating expenses and costs that represent normal everyday business expenses are not supported by subsidy. Eligible costs will be restricted to capital, revenue or working capital costs associated with a new and specific development project.
The subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means.	SOSE has a range of support tools available under our powers in South of Scotland Enterprise Act 2019. Our intervention options include loans, equity or guarantees (subject to Scottish Government agreement), grants (including repayable and interest relief grants). Each application for assistance requires an options appraisal to confirm that the subsidy recommendation is the most appropriate solution to achieve the objective.
The subsidies' positive contributions to achieving the objective outweigh any negative effects, in particular the material effect on trade or investment between the Parties.	Due diligence on each application will look at market assessment, potential displacement, and impact on competitors within the UK and EU. For larger or higher risk projects an independent economic impact assessment will be commissioned. Particular scrutiny will be applied to large enterprises, inward investments and sensitive sectors which are more likely to have a *material* impact on EU competitors.
Where relevant, record consideration against Article 3.5 [Prohibited subsidies and subsidies subject to conditions], including consideration of whether that subsidy has or could have a material effect on trade or investment between the Parties.	In line with SOSE's normal policy, the scheme will not: • Offer subsidy in the form of unlimited guarantees; • Subsidise operating expenses linked to export performance; or • Make any subsidy conditional on use of domestic content in goods or services.

	Subsidies subject to conditions in Article 3.5 of the TCA will not be routed through this scheme but would be treated as ad hoc awards.

Change Log

Section/measure	Change	Page No
Amendments made in date (Version)		
All measures	Extension of term of scheme by six years to end on 31 December 2031	All
Measures 1.1, 1.2, 2.3.1 and 2.3.2	Clarification of ongoing use of AA Map	8-9
Measure 5.3	Removal of reference to Highlands and Islands and replaced with South of Scotland	40