EIUG position on post Brexit priorities

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive industries (EIIs), including manufacturers of steel, chemicals, paper, glass, cement, lime, ceramics, aluminium and industrial gases. EIIs employ around 200,000 people directly, support 800,000 jobs including their supply chains, and make a £15bn pa contribution to UK GDP.

The short and long term interests of energy intensive industries (EIIs) must be fully taken into account by the government in pre-Brexit negotiations and any subsequent trade settlement reached with the EU, if EIIs are to have a prosperous future within the UK economy. The key objective must be to ensure EIIs have continuous access to secure, internationally competitive energy supplies.

Tariff Free Access to European Gas and Electricity

The first priority must be to ensure the UK retains non-discriminatory tariff-free access to the single EU energy market. This is vital for security of supply since the UK is dependent on trade in electricity and gas with our EU neighbours – a dependency that is set to increase in future as the UK seeks to manage its growing reliance on intermittent renewable power generation. Efficient trade between neighbouring national or regional EU markets will tend to reduce the geographic spread in wholesale prices and hence the average cost of energy to European consumers as a whole. It should be recognised that non-tariff barriers are equally important in terms of their potential impact on trade efficiency.

Energy Security and the UK Energy Mix

Ensuring that there is no disruption to energy supplies is critically important for all EIIs. On long term energy security, the government should continue to support the development of indigenous energy production, including shale gas, as well as new nuclear and other sources of secure, low carbon baseload electricity, so long as they are cost competitive.

Industrial Strategy and an Integrated Approach to Energy and Climate Change Policy

The government must take an integrated approach to climate and industrial policy so the UK EIIs can compete on a level playing field – an approach that should fit well with the remit of the Department of Energy and Industrial Strategy. This should include a formal commitment to ensure that that vulnerable, trade-exposed UK EIIs should bear no higher climate burden in terms of energy prices or other carbon emissions costs than their immediate EU competitors, as a minimum, with the long term aim of achieving parity with their global competitors. This principle should apply whatever the precise nature of the relationship established between the UK and the single EU energy market after Brexit.

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Key Areas of Policy Concern

Carbon Price Floor

EIUG believes the UK's unilateral Carbon Price Floor should be abolished at the earliest opportunity to restore electricity competitiveness and encourage investment in new gas power stations – and in any case by 2025, when coal fired power generation will have ceased to be part of the UK generation mix. In the meantime, so long as UK power generation remains affected by ETS and/or CPF, the government should continue to press for consistency in the scope of EIIs eligible for relief from the indirect impact of carbon costs with that available for renewable costs.

EU Emissions Trading Scheme

The government will need to clarify whether UK power generation and energy intensive manufacturing processes will remain subject to the EU emissions trading scheme, or some analogous alternative mechanism. Without a way of influencing this process, UK EIIs could face a much higher risk of carbon leakage.

The government should carefully explore alternatives to EU Emission Trading Scheme with the objective of enabling UK climate change goals to be achieved without compromising the ability of UK EIIs to compete internationally.

EU Renewables Targets

The government should acknowledge that the UK is neither able nor any longer legally required to meet the EU 2020 renewable target (this would require a doubling of renewable energy consumption in less than four years which, even if technically achievable, would be intolerably expensive). The UK should avoid the risk of having 2030 or other future EU renewable targets imposed, e.g. as a consequence of maintaining non-discriminatory access to the single EU energy market.

State Aid and RO/FIT Compensation

During the period ahead of Brexit the government should ensure that outstanding issues such as the state aid case to provide direct competitors with relief from RO/FIT costs are satisfactorily resolved as swiftly as possible, so that a subset of UK EIIs are no longer left at a disadvantage with respect to their EU competitors at present.

Post Brexit, the government may or may not remain constrained by EU state aid regulations relating to relief to EIIs from climate policy costs. Either way, the government should be committed to ensuring unilateral UK/EU climate policies do not result in UK EIIs being left at a competitive disadvantage in global markets, and hence at risk of carbon leakage, after Brexit has taken place.

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