

Spring Budget 2017 – representation from the Energy Intensive Users Group

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive industries (EIs) including manufacturers of steel, chemicals, fertilisers, paper, cement, lime, glass, ceramics, gypsum, glass, aluminium and industrial gases that compete in global markets and depend on access to secure, internationally competitive energy supplies to remain in business. These foundation industries employ 200,000 people directly, support 800,000 jobs including their supply chains, and make a £15bn pa contribution to UK GDP.

EIUG urges HMT to consider the following issues of concern to EIs:

Levy Control Framework

EIUG recognises the importance to BEIS and to low carbon energy investors of having clarity about future subsidy levels for as far ahead as is reasonably practical. It is equally important for energy users in enabling them to understand the likely impact of subsidies on future energy costs in general, and the adequacy or otherwise of measures designed to prevent carbon leakage from trade-exposed EIs in particular. EIUG is open minded about the precise form the Levy Control Framework (LCF) or its successor should take, so long as HMT continues to place limits on the cost of electricity decarbonisation subsidies over the medium term, and provides clarity on the likely impact of those subsidies on energy prices to EIs and other users. EIUG therefore trusts that the Spring Budget will include specific details of how the LCF or its replacement will be implemented after 2020/21, together with a firm commitment that government will publish annual assessments of the aggregate impact on consumers in general, and on EIs specifically, during the period covered.

EI Compensation for RO/FIT costs

EIUG remains concerned that the government has still not made any formal commitment to continue compensation for Renewable Obligation (RO) and Feed in Tariff (FIT) after April 2017 despite the fact that the delay in securing EU state aid approval means an exemption from these costs cannot now be in place by then, as originally planned. HMT should recognise that our members require this assurance immediately, and that further delay in providing this (e.g. on grounds of Budget purdah) is unacceptable.

Energy Efficiency Fund

The Government will need to develop support mechanisms analogous to those in already established in the power sector if EIs are to decarbonise as envisaged in the 2050 Roadmaps that BEIS has been developing in conjunction with industry. EIUG has registered its support for establishment of an energy efficiency fund of up to £100 million over the course of the Parliament, enabling EIs covered by the 2050 Roadmap process to unlock substantial investment in additional energy efficiency measures.

EIUG would be keen to discuss any of these issues with HMT ministers or officials at the earliest opportunity. In the meantime, we trust the concerns we have raised will be given serious consideration, and that relevant announcements will be included in the Spring Budget.