**Labour Industrial Strategy –** response from the **Energy Intensive Users Group**

C) Environmental goals and capacities

25. What would the best industrial balance be in respect of meeting our climate goals in the 4th and 5th Carbon budgets?

*The best balance would be one that results in decarbonisation, not deindustrialisation, within the UK economy. Energy intensive industries such as manufacturers of steel, chemicals, fertilisers, paper, cement, lime, glass, ceramics, aluminium and industrial gases are highly exposed to international competition and depend on access to secure, internationally competitive energy supplies to remain in business. They are consequently at risk of 'carbon leakage' if climate policy costs significantly exceed those of our international competitors, driving industrial investment, jobs, production and associated emissions offshore. These foundation industries which also include advanced manufacturing companies currently provide jobs for around 200,000 people directly, support around 800,000 jobs in their supply chains across all regions of the country, and contribute £15bn to UK GDP. Many of these companies are solution providers for the low carbon economy, enabling energy savings for customers. Care must therefore be taken to ensure that climate goals in the 4th and 5th Carbon Budgets enable industrial decarbonisation to occur within the UK and do not inadvertently lead to carbon leakage. If the UK government wishes to pursue ambitious decarbonisation targets it must therefore retain (and ideally expand) compensation and exemption arrangements for vulnerable, trade-exposed energy intensive industries that mitigate the impact of costly climate policies on industrial electricity prices, until such time as major industrial competitors are subject to similar cost pressures.*

26. What goals should we set ourselves with regard to moving towards a carbon-neutral economy?

*In order to ensure industrial competitiveness, and hence the future of energy intensive manufacturing, the UK government must ensure that its ambitious decarbonisation goals do not become significantly out of step with those of our major industrial competitors – especially those of our immediate European neighbours. There is little benefit from becoming a carbon neutral economy unless the rest of the global economy moves in a similar direction. Decarbonisation goals therefore need focus on the development of affordable, cost competitive clean energy technologies that have a realistic prospect of being deployed globally as well as the reduction of the UK's own carbon emissions which, though symbolically significant, account for less than 1.5% of the global total.*

27. Factoring in both environmental and industrial goals, what are should our priorities be in this area? E.g. retrofitting housing? Shifting to renewable energy storage? Carbon capture and storage?

*The priority should be to ensure that decarbonisation takes place at least cost to energy consumers and taxpayers on the basis of cost per tonne $CO_2$ abated. To date, political attention has tended to be focussed on electricity decarbonisation, but affordable and competitive heat decarbonisation will require equal attention if longer term CO2 reduction targets are to be met. It is difficult to see how current let alone possible future ambitions for electricity decarbonisation can be met without some element of CCS to reduce emissions from the considerable capacity of gas or other flexible conventional power generation that will need to be maintained to ensure security of supply. CCS may also be required to reduce direct emissions from industrial processes such as primary steel and cement production. The government therefore needs to develop a CCS strategy that enables this to happen, including relevant support measures, without endangering industrial competitiveness.*

28. What transition measures should be in place to shift to a low carbon economy (e.g. retraining and job replacement for workers in high carbon jobs)?

*Transition measures are required to ensure energy intensive industries retain access to internationally competitive energy supplies, and to support industrial decarbonisation, until such time as major industrial competitors are subject to similar carbon constraints. These measures will preserve jobs that would otherwise be lost to international competitors in vital foundation industries, whose products and materials will still be required in a low carbon economy. Transition measures are in place to support the low carbon transition in the power sector, but as yet there are no such measures to support the decarbonisation of industry.*

*29.* How can UK supply chains in low carbon manufacturing best be established?

*Energy intensive industries are part of the supply chain for low carbon manufacturing. A secure and stable regulatory environment including for UK energy intensive industries helps foster investment and growth in UK industry as a whole.*