

EIUG Manifesto 2017



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

EIIs need access to secure, internationally competitive energy supplies if they are to invest and remain located in the UK. This means a level playing field for UK EIIs competing in global markets, taking account of the cumulative burden of climate policies on industrial energy prices. In order to address these concerns, the incoming government in 2017 must consider:

- Early repeal of the UK's unilateral Carbon Price Floor – no other country in the world has imposed such a measure – industrial electricity users face four times the carbon cost borne by our EU competitors.
- Commitment to retain and extend the EII compensation package – we need a level playing field with EU competitors on carbon pricing, energy taxation, renewable subsidies, etc., with full implementation of promised compensation and extended exemption measures.
- Supporting cost-effective decarbonisation – including simplification of climate-related legislation, technologically neutral support for secure low carbon power generation by 2020, and long term withdrawal of energy subsidies.
- Supporting environmentally responsible development of shale gas and other unconventional resources as a key part of UK energy policy on security of supply, whilst keeping gas storage policy under review.
- Retaining non-discriminatory tariff-free access to the single EU energy market after Brexit, whilst avoiding the risk of future EU emissions, renewable or energy efficiency targets being imposed as a price of maintaining access.
- Supporting investment in industrial energy efficiency and innovation, including combined heat and power, which contributes to security of supply and decarbonisation. Energy efficiency targets must recognise investment cycles and avoid caps on energy use that prevent growth.
- Retaining a competitive market-based energy policy, free from political interference in the setting of wholesale and retail prices, with independent economic regulation for natural monopoly networks.
- Adopting realistic and achievable decarbonisation targets, taking industrial sector roadmaps into account – including support for development and implementation of breakthrough technologies – and maintain or match EU funding programmes.

The UK's EIs operate in global markets, tend to be internationally owned, and are therefore at high risk of 'carbon leakage' – where unilateral climate and other energy policy costs drive investment, production and jobs from the UK to lower cost economies.

EIs need a joined up strategy where HMT and BEIS work together to prevent further carbon, jobs and investment leakage, and encourage future investment in these industries in line with industrial strategy. As part of this, UK climate policy must consider carbon emissions embedded in imported products as well as carbon emissions from production within the UK.

The UK must avoid meeting its carbon targets by offshoring state of the art, energy-efficient EIs – the objective should be economically sustainable decarbonisation, not de-industrialisation.

Climate policies like renewable subsidies and carbon pricing provide massive support for power generators but do nothing to support industrial decarbonisation. EIs just face higher electricity costs, even after the compensation package is applied. Currently, this package fails to provide even limited relief for all the EI companies that need it. According to government analysis, UK costs are already higher and set to rise faster than for EU and global competitors.

EIUG believes there should be a role for all energy technologies within the UK's overall carbon cap, including gas, nuclear and secure renewables, enabling the market to deliver secure, progressively low carbon energy supplies at least cost to consumers. It is not in the interest of consumers for government to set arbitrary targets for the deployment of specific energy technologies.

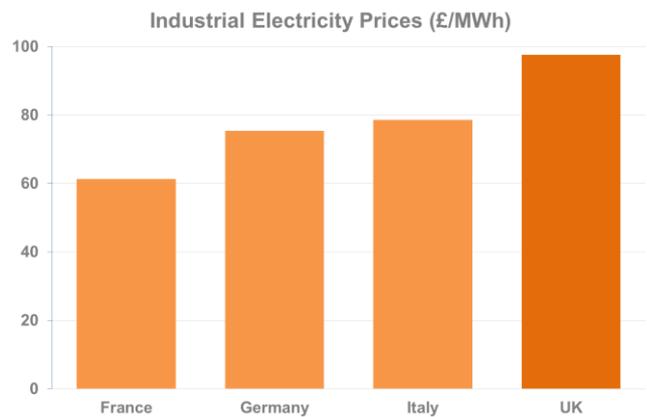
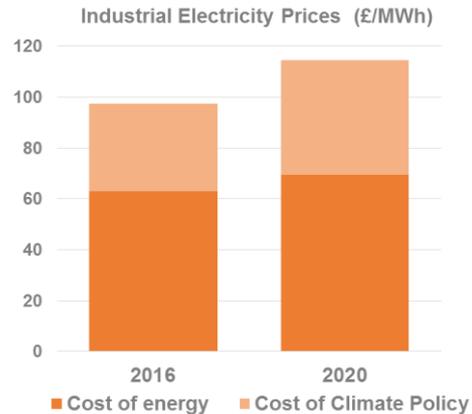
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EIUG is a member of IFIEC Europe, representing EU EIs

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Sources: BEIS & EIUG (delivered price before compensation, including CCL, ETS, CPS, RO, FIT, CFD)

Energy security is essential for EIs – both in terms of physical supply security, but also to protect against the financial impact of extreme wholesale price volatility. Demand side response has an important role to play, but on its own can never be an economically sustainable solution to a lack of supply.

