



EIUG Manifesto

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

EIs 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 EIs within the single EU market, taking account of the cumulative burden of climate policies on industrial energy prices. In order to address these concerns, an incoming government in 2015 must consider:

- Early repeal of the 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 compensation package for EIs – we need a level playing field within Europe on carbon pricing, energy taxation, renewable subsidies, etc., with compensation paid as soon as EU state aid clearance can be obtained.
- Supporting cost-effective decarbonisation – including simplification of climate-related legislation and accelerated auctioning to set the strike price of Contracts for Difference for mature technologies, as the first move towards technologically neutral support for low carbon power generation by 2020.
- Support for environmentally responsible development of shale gas and other unconventional resources as a key part of UK and EU energy policy on security of supply, whilst keeping gas storage policy under review.
- Supporting investment in industrial energy efficiency and innovation, including combined heat and power, recognising its contribution to security of supply and decarbonisation. Industrial energy efficiency targets must be set relative to production, e.g. energy per tonne of product, not an absolute cap on energy use that prevents growth, and recognise the long investment cycles of capital intensive EIs.
- Retaining a competitive market-based energy policy, free from political interference in the setting of wholesale and retail prices. Competitive wholesale and retail markets, with independent economic regulation for natural monopoly networks, has served consumers well. Findings from the referral of energy supply to the Competition and Markets Authority must be taken into account in any proposals for supply market reform.
- We need realistic and achievable decarbonisation targets, taking industrial sector roadmaps into account – including support for development and implementation of breakthrough technologies.

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 policy costs drive investment, production and jobs from the UK to lower cost economies.

EIs need a joined up strategy working across HMT, BIS and DECC to prevent further carbon and investment leakage and to encourage future investment in these industries. As part of this, UK and EU climate policy must consider carbon consumption (taking account of emissions from production of imported goods and materials) as well as carbon production from UK industries.

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. The fact that the UK is now the least energy intensive economy in the G7 should therefore be a cause for concern, not celebration.

Climate policies like renewable subsidies and carbon pricing provide massive support for power generators but nothing to support industrial decarbonisation. EIs just face higher electricity costs, even after the compensation package is applied. According to government analysis, these are already higher and set to rise faster than for EU competitors:

EIUG believes there should be a role for all energy technologies within an overall carbon cap, including coal, 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, at a UK or EU level, to set arbitrary targets for the deployment of specific energy technologies.

For further information, please contact:

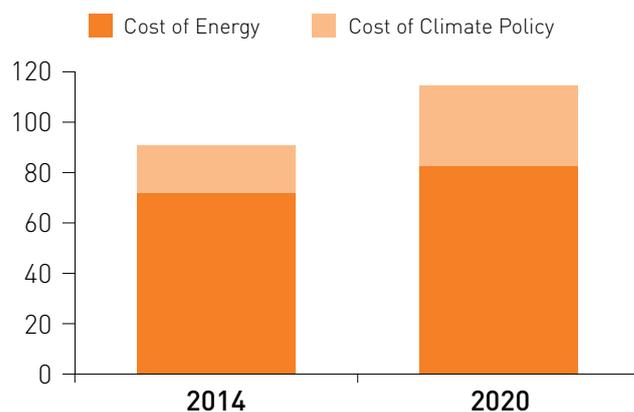
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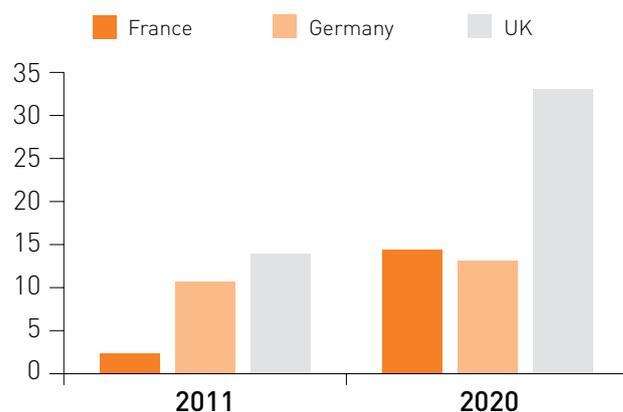
EIUG is a member of IFIEC Europe, representing EU EIs

www.ifieceurope.org

Industrial Electricity Prices (£/MWh)



Climate Policy Impact on EI Electricity Prices (£/MWh)



Sources: BIS & EIUG (delivered price before compensation, including CCL, ETS, CPF, 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 a role to play, but on its own can never be an economically sustainable solution to a lack of supply.

