

Energy Intensive Users Group

Air Products
British Ceramic Confederation
Chemical Industries Association
Major Energy Users Council
UK Steel

BOC
British Glass Manufacturers Confederation
Confederation of Paper Industries
Mineral Products Association

16 September 2019

About EIUG

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive industries (EII's) including manufacturers of steel, chemicals, paper, glass, cement, lime, ceramics and industrial gases.

Our members produce materials which are essential inputs to UK manufacturing supply chains. This includes materials which support climate solutions in the energy, transport, agriculture and household sectors. We make an annual contribution of £15bn to UK GDP, supporting 200,000 jobs directly and 800,000 jobs indirectly.

However, as foundation industries, we are both energy and trade intensive. We are also largely internationally owned. If we are to compete in the global markets in which we operate and remain located and investing in the UK, we need access to secure, internationally competitive energy supplies.

Reforming the Energy Industry Codes

UK industrial energy costs are among the highest in Europe as a result of the additional subsidies and levies applied to energy bills to fund renewable electricity generation. These costs are eroding the international competitiveness of UK industry.

If renewable and low carbon generation (and the future decarbonisation of heat and transport) is funded by large energy consumers, EII's will eventually be priced out of the UK, only for their products to be replaced by imports. Many of these imports will be from areas of the globe with less environmental regulation and will have a higher carbon footprint than the equivalent UK product as well increased transport related emissions (therefore increasing global carbon emissions).

The UK's EII's want to work with the Government to help them achieve their decarbonisation targets. The cost of decarbonising energy should not be placed on EII's in a manner which makes them artificially uncompetitive with their international competitors.

Questions 1,2,4 & 6

EIUG recognises the summarised description of the current code modification uncertainty on page 8 of the consultation, and supports the reforms outlined on page 9. Our answer to questions 1,2,4 and 6 is therefore an emphatic "Yes".

By reforming the industry codes, EII's hope that BEIS and Ofgem take the opportunity to improve engagement within key stakeholders (including EII's) and simplify energy tariffs. Energy consumers should know exactly how their bills are calculated and how much they are paying towards the environmental subsidies.

Question 3

In response to question 3, it may be helpful to note that OFGEM's current remit can sometimes seem more concerned with economic modelling of how charges are implemented rather than on the economic, business and employment impacts of such decisions. EIUG therefore welcomes the element of strategic economic direction in the revised models, as this may help avoid decisions which might make industry uncompetitive.

If "reforming codes" includes the rules within which the Suppliers' licenses are granted, EIUG recommends that surcharges for energy and climate costs be clearly itemised in consumers bills so that all energy users know how much they are contributing to the environmental tariffs and subsidies, including their contributions towards funding costs for new nuclear generation and Carbon Capture & Storage.

Questions 7 & 8

EIUG understands both models offered but does not have a view on the relative merits of Models 1 and 2, so offers no response to questions 7 and 8.

Question 9

In response to question 9, EIUG broadly agrees, and suggests in addition that in each DSO area costing tools are made available so that all stakeholders can easily work out the implications of regime, tariff or new subsidy announcements. Such a tool would enable consumers to able to calculate cost effective solutions).

EIUG looks forward to working with BEIS and Ofgem to protect gas and electricity consumers from increasing energy prices, so that the UK EII's can compete in the international markets.