

**Energy Usage Streamlined Subsidy Scheme**

**Presented to Parliament by the Secretary of State for Business,  
Energy and Industrial Strategy pursuant to section 10 (5) of the  
Subsidy Control Act 2022**

*This is a Streamlined Subsidy Scheme (also known as a Streamlined Route) made by the Secretary of State under section 10 (4) of the Subsidy Control Act (2022). It may be used by any UK public authority to give certain subsidies, which meet the criteria of the Streamlined Route, without assessing them against the subsidy control principles.*

*Public authorities wishing to use this Streamlined Route are strongly advised to consider the accompanying Research, Development and Innovation Streamlined Route Guidance, which has been created to help public authorities interpret and comply with the Streamlined Route. This guidance can be found on the Streamlined Routes .Gov.uk webpage.*

*Public authorities who require support and guidance on using this Streamlined Route can contact the BEIS subsidy control team at: [subsidycontrol@beis.gov.uk](mailto:subsidycontrol@beis.gov.uk)*

## **Energy Usage Streamlined Subsidy Scheme**

### **1. Introduction and compliance with the subsidy control principles**

- 1.1. The Secretary of State, having considered the subsidy control principles and the energy and environmental principles in accordance with Chapter 1 of Part 2 of the Subsidy Control Act 2022 (“the Act”) and being of the view that the subsidies given under the scheme will be consistent with those principles, makes the following subsidy scheme (“the Scheme”) as a streamlined subsidy scheme for the purposes of the Act, in accordance with section 10(4) of the Act.
- 1.2. The Scheme is made on January 5 2023.
- 1.3. The Scheme may be used by any public authority in the United Kingdom to give subsidies on or after January 5 2023 until January 4 2029.

- 1.4. The Scheme is to be laid in Parliament in accordance with section 10(5) of the Act and published on the subsidy database in accordance with section 33(1)(b) of the Act.
- 1.5. The Scheme may be referred to as the Energy Usage Streamlined Subsidy Scheme.

## 2. Purpose

- 2.1. The Scheme provides for the giving of subsidies by public authorities that fall within the following categories set out in the Schedule:
  - 2.1.1. category 1: subsidies for energy demand reduction,
  - 2.1.2. category 2: subsidies for green heat networks, and
  - 2.1.3. category 3: subsidies for related skills training.
- 2.2. Subsidies given under the Scheme must comply with paragraphs 4-8 and the relevant requirements in the Schedule.

## 3. General definitions for the Scheme

In the Scheme:

- 3.1. “the Act” means the Subsidy Control Act 2022;
- 3.2. “CO<sub>2</sub>e” means carbon dioxide equivalent;
- 3.3. “eligible costs” means those costs defined in paragraphs 3, 11 and 18 of the Schedule;
- 3.4. “enterprise” has the meaning given by section 7 of the Act;
- 3.5. “fossil fuel” means:
  - 3.5.1. coal;
  - 3.5.2. lignite;
  - 3.5.3. peat;
  - 3.5.4. natural gas (within the meaning of the Energy Act 1976<sup>1</sup>);
  - 3.5.5. crude liquid petroleum;

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<sup>1</sup> “natural gas” means any gas derive from natural strata

- 3.5.6. bitumen;
- 3.5.7. any substance which:
- 3.5.7.1 is produced directly or indirectly from a substance mentioned in paragraphs 3.5.1 to 3.5.6, for use as a fuel, and
  - 3.5.7.2 when burned, produces a greenhouse gas (within the meaning given in section 92 of the Climate Change Act 2008<sup>2</sup>);
- 3.6. “heat network” means an energy efficient heating or cooling system that distributes thermal energy, via a network of pipes. This includes the heating or cooling production plant, the network (including related facilities) for distributing the heat or cooling and the cost of connecting customers;
- 3.7. “kWh” means kilowatt hour and is a measure of hourly energy use;
- 3.8. “large enterprise” means an enterprise that is larger than a medium sized enterprise assessed by reference to the qualifying conditions in section 465 of the Companies Act 2006;
- 3.9. “low carbon heating” means a source of thermal energy that emits no more than 100 grams of carbon dioxide and CO<sub>2</sub>e per kWh of thermal energy delivered to end customers;
- 3.10. “medium enterprise” means an enterprise that is considered to be medium-sized, assessed by reference to the qualifying conditions set out in section 465 of the Companies Act 2006;
- 3.11. “production plant” means the energy source of the heat network;
- 3.12. “project” means the projects referred to in the categories in the Schedule;
- 3.13. “public authority” has the meaning given by section 6 of the Act;
- 3.14. “small enterprise” means an enterprise that is considered to be small, assessed by reference to the qualifying conditions set out in section 382 of the Companies Act 2006;

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<sup>2</sup> “greenhouse gas” means any of the following—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>).

- 3.15. “small or medium-sized enterprise” or “SME” means a small enterprise or a medium enterprise as defined in paragraphs 3.10 and 3.14;
- 3.16. “subsidy database” means the database established under section 32 of the Act.

#### 4. **General conditions**

- 4.1. Before giving a subsidy to an enterprise under the Scheme a public authority must obtain the following information from the enterprise:
  - 4.1.1. name and size of the enterprise,
  - 4.1.2. description of the proposed project, including;
    - 4.1.2.1. its location,
    - 4.1.2.2. start and end date,
    - 4.1.2.3. expected outcomes, and
    - 4.1.2.4. anticipated costs of the project or activity before any deductions of tax or other charges, supported by relevant and contemporary documentation.
- 4.2. A public authority may not give a subsidy for a project that has started unless:
  - 4.2.1. it has provided written authorisation to the enterprise that the project can be started before the subsidy is given, and
  - 4.2.2. it is of the view that the project would not be viable unless it starts before the subsidy is given, or
  - 4.2.3. is of the view that the scope of the project is being widened or the project is being accelerated, or
  - 4.2.4. work has been carried out before the subsidy decision is made which consists of limited and specific scoping or commercialisation work in accordance with a category in the Schedule.
- 4.3. A public authority must give subsidies using objective and transparent selection criteria that are available to potential recipients in advance of giving the subsidy.
- 4.4. All eligible costs must be incurred directly as a result of the project.

- 4.5. All eligible costs should be limited to those strictly necessary for the project and limited to the time period of the project.
- 4.6. A public authority may not give a subsidy under the Scheme that would, but for section 30(1) of the Act, be subject to any of the prohibitions and other requirements contained in sections 15 – 29 of the Act.
- 4.7. A public authority may not give a subsidy for a project under any of the categories in the Schedule where that project requires or otherwise involves the use of fossil fuels.
- 4.8. A public authority may give a subsidy to an enterprise for the increased costs of a measure which meets a higher standard of energy efficiency than the minimum required by law.
- 4.9. The receipt of a subsidy does not relieve the enterprise from any liabilities arising from its responsibilities as a polluter under the relevant law of England and Wales, Scotland and Northern Ireland.
- 4.10. Nothing in the terms of the subsidy relieves an enterprise of the obligation or ability to participate in electrical markets.

**5. Subsidy type and valuation of the subsidy**

- 5.1. Subsidies under the Scheme may be given in any form of financial assistance.
- 5.2. For the purposes of any paragraph in the Scheme that contains a financial amount, the following will apply:
  - 5.2.1. if a subsidy is provided in cash, the gross cash amount given is to be used in determining the amount of the subsidy;
  - 5.2.2. If a subsidy is provided otherwise than in cash, the amount of the subsidy given is to be determined by reference to the gross cash equivalent of the subsidy.

- 5.3. The gross cash amount and gross cash equivalent amount are to be determined in accordance with the Subsidy Control (Gross Cash Amount or Gross Cash Equivalent) Regulations 2022.<sup>3</sup>

## 6. **Transparency**

- 6.1. A public authority must meet the transparency requirements set out in Chapter 3 of Part 2 of the Act and upload any subsidy given under the Scheme to the subsidy database where required by the Act.

## 7. **Cumulation**

- 7.1. When applying the subsidy ratios and maximum award amounts set out in the specific categories under the Schedule, a public authority must take into account the cumulative amount of subsidies received by the enterprise for that project, whether given under the Scheme or otherwise. A subsidy given under the Scheme which falls below the subsidy ratios or maximum award amounts must not cause the subsidy ratios or maximum award amounts to be exceeded on a cumulative basis.
- 7.2. An existing subsidy must be cumulated with the proposed subsidy if the subsidy meets all of the following conditions and was given:
- 7.2.1 to the same enterprise by any public authority;
  - 7.2.2 for the same project as defined under the relevant categories of the Schedule;
  - 7.2.3 for the same or substantially the same specific purposes as set out under the relevant categories of the Schedule, and;
  - 7.2.4 within the last 3 financial years (that is, the last 2 complete financial years, running from 1 April to 31 March, and the lapsed part of the current financial year).
- 7.3 Where a project's completion date extends beyond the period of 3 years, the maximum award amounts and subsidy ratios set out in the specific

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<sup>3</sup> <https://www.legislation.gov.uk/ukxi/2022/1186/made>

categories under the Schedule apply to the lifespan of the project; a new cumulation period does not start after 3 years.

- 7.4 The subsidy ratios or maximum award amounts may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

## 8. **Misuse of subsidy**

- 8.1. A public authority should ensure that any subsidy given under the Scheme is given subject to a condition that allows the authority to recover the whole or part of the subsidy amount to the extent that the subsidy is used for a purpose other than the purpose for which it was given.

## Schedule

### Category 1: Subsidies for Energy Demand Reduction Projects

#### 1. Scope

- 1.1 A subsidy may be given under this category for an Energy Demand Reduction Project.
- 1.2 An Energy Demand Reduction Project means a project involving the installation of any of the following measures in buildings:
  - 1.2.1 energy efficiency measures;
  - 1.2.2 low carbon heating measures;
  - 1.2.3 additional energy infrastructure.
- 1.3 “energy efficiency measures” means measures that reduce the amount of energy that a building uses.

#### 2. Enterprise eligibility

- 2.1 In order to be eligible to receive a subsidy under this category, beneficiaries must be owners or occupiers of the building(s) that the subsidy relates to. In the event that the owner and occupier(s) of the building are separate persons, they must either, where necessary:
  - 2.1.1 have entered into appropriate arrangements with each other to ensure the project can proceed to completion such that they will all benefit from the subsidy and therefore will all be considered beneficiaries if they are enterprises; or
  - 2.1.2 have entered into appropriate arrangements with each other to ensure the project can proceed to completion and only the intended beneficiary or beneficiaries will benefit from the subsidy.
- 2.2 In the event that there is more than one beneficiary, the subsidy ratios in paragraph 7, will be determined by whichever beneficiary is the larger.

2.3 A public authority should be satisfied that the beneficiary or beneficiaries complies with the requirements in paragraphs 2.1 and 2.2.

### 3. Eligible costs

3.1 Subsidies may only be given under this category for the following eligible costs of a project.

3.1.1 Costs directly related to carrying out an energy audit of the building(s) to which the project relates.

3.1.2 Capital costs for the project including the total costs needed to bring a project to a completed status such as the purchase or rental of equipment, construction expenses or other relevant goods required for the provision of services.

3.1.3 Personnel costs for the project, whether or not costs for persons directly employed by the enterprise or persons not so employed, required for the purpose of carrying out the project in question. Costs for business-as-usual staffing should not be included.

3.1.4 The eligible costs relating to the installation of a low carbon heating measure shall be calculated by reference to the difference between the appropriate heating system that the enterprise would have installed in the absence of the subsidy and the low carbon alternative. The difference can be supported by a subsidy subject to the appropriate subsidy ratios and maximum award amounts as set out in paragraphs 7 and 8 below.

3.1.5 Where the low carbon heating is provided by a local heat network, the costs of connecting the customer to the heat network can be funded by the subsidy.

### 4. Limitations on eligible costs

4.1 A public authority may only give a subsidy:

4.1.1 once an energy audit is conducted on the building(s), and

4.1.2 for the purpose of the installation of measures which have been identified in the energy audit.

4.2 “Energy audit” means an assessment of the energy efficiency levels carried out on a building conducted by an energy assessor in accordance with the regulatory standards in place in England, Wales, Scotland or Northern Ireland as appropriate.

## 5. Further conditions

5.1 A subsidy may not be given for the costs of a measure required by law at the time of awarding the subsidy (such as compliance with building regulations or health and safety legislation).

5.2 A project may include a combination of energy efficiency, low carbon heating and additional energy infrastructure measures subject to the specific limitations on eligible costs for those measures set out in below.

5.3 Where appropriate, in devising the project the enterprise should consider whether fabric energy efficiency measures may be used before the installation of low carbon heating measures.

5.4 “Fabric energy efficiency measures” means measures designed to maximise heat loss prevention in buildings.

## 6. Provision of additional energy infrastructure

6.1 Additional energy infrastructure must not be provided for commercial gain, for example by providing for renewable energy generation, such as a solar farm.

6.2 “Additional energy infrastructure” means:

6.2.1 the installation of measures that save indirect carbon (such as Solar PV or LED lighting), or

6.2.2 the installation of measures that do not save carbon but enable the installation of measures that do (such as smart metering, energy storage, etc) and the primary purpose of the energy infrastructure measures is for the benefit of the building(s) for which the subsidy is given.

6.3 “Commercial gain” means having the main aim of achieving profit or other financial advantage as a result of the installation rather than providing for specific energy demand reduction for the building(s) that are being subsidised.

## 7. Subsidy ratios

7.1 Subsidies may be given to any sized enterprise under this category up to either the relevant subsidy ratio or the maximum award amount, whichever is lower. Subsidies given for projects under this category must not exceed the following subsidy ratios:

7.1.1 40% of the eligible costs of a project for large enterprises;

7.1.2 50% of the eligible costs of a project for medium enterprises;

7.1.3 60% of the eligible costs of a project for small enterprises.

## 8. Maximum award amounts

8.1 The maximum subsidy for a single project to a single enterprise is £3,000,000.

## **Category 2: Subsidies for Green Heat Networks**

### 9. Scope

9.1 A subsidy may be given under this category for a Green Heat Network Project.

9.2 “Green Heat Network Project” means a heat network that delivers thermal energy (heat or cooling) with an average annual carbon intensity of no more than 100 grams of carbon dioxide and equivalent emissions (CO<sub>2</sub>e) emitted per kWh of thermal energy delivered to customers.

### 10. Requirement to tender

10.1 A subsidy given by a public authority under this category shall be subject to a competitive bidding process so as to minimise the impact on domestic competition and investment.

10.2 To design a competitive bidding process public authorities should refer to the Government's Green Book.<sup>4</sup>

## 11. Eligible costs

11.1 A subsidy may only be given under this category for the following eligible costs of a project:

11.1.1 combined commercialisation and construction costs;

11.1.2 construction costs alone;

11.1.3 "commercialisation costs" means expenditure incurred in advancing a project to a final investment decision. Such costs may include, expenditure incurred in relation to planning permission, detailed design, final business case, procurement of design and build contractors;

11.1.4 "construction costs" means expenditure incurred in relation to all aspects of developing, building, retrofitting or upgrading a heat network;

11.1.5 costs for accessing heat sources;

11.1.6 "accessing heat sources" means accessing heat sources such as capturing waste heat from an industrial process, energy from waste or wastewater, geothermal;

11.1.7 costs for low-carbon generation;

11.1.8 costs for primary heat network distribution;

11.1.9 "primary heat network distribution" means the infrastructure that distributes thermal energy from the production plant such as distribution pipework, both above and below ground for transmission and distribution of low-carbon heating and cooling.

## 12. Limitations on eligible costs

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<sup>4</sup> <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

12.1 The following are not eligible costs:

12.1.1 the cost of buying and installing tertiary heat distribution systems;

12.1.2 “tertiary heat distribution system” means the pipework and associated plant that sits behind the customer meter/ heat interface unit (HIU);

12.1.3 the costs associated with connecting existing heat or cooling sources where there is a legal requirement for those sources to connect to a heat network;

12.1.4 commercialisation costs, when they are not combined with construction costs;

12.1.5 the costs of activities undertaken prior to a project commencing to assess the feasibility of the project, including activities related to studies, concept designs and concept business cases, are not eligible costs.

### 13. Further conditions

13.1 The subsidised heat network must deliver no more than 100g CO<sub>2</sub>e/kWh within 3 years of becoming operative.

13.2 A Green Heat Network Project will be deemed to have started when the construction work on a new or existing heat network commences.

13.3 A public authority should ensure that the value of the subsidy does not allow the subsidised Green Heat Network Project to make profits which are in excess of a level that a rational investor would require in order to reflect the risk premium for investing in a market.

13.4 The total subsidy given may not exceed 4.5p of funding per 1kWh of heat delivered to customers over the first 15 years of operation of the Green Heat Network.

13.5 For the purpose of a subsidy under this category:

13.5.1 for urban networks, a minimum end customer demand of 2 Gigawatt per year must be achieved, and

13.5.2 for rural (off-gas-grid) networks, a minimum number of 100 dwellings must be connected.

13.6 A Green Heat Network Project must be assessed on the value it provides versus a counterfactual low-carbon heating technology. Where a subsidy may limit the competitiveness of the counterfactual technology the Green Heat Network Project should not proceed.

#### 14. Subsidy ratios

14.1 Subsidies may be given to any sized enterprise under this category up to either the relevant subsidy ratio or the maximum award amount, whichever is lower. Subsidies given for projects under this category must not exceed 50% of the combined commercialisation and construction costs for the project.

#### 15. Maximum award amounts

15.1 For the purposes of this category:

15.1.1 the maximum subsidy for a single project to a single enterprise is £15,000,000;

15.1.2 commercialisation costs cannot exceed 5% of the amount of any subsidy.

### **Category 3: Green Skills Training**

#### 16. Scope

16.1 A subsidy may be given under this category to meet the eligible costs of eligible providers of training to address shortages of training in relation to the installation of energy efficiency and low carbon heating measures and training for retrofit coordinators and other retrofit professionals.

#### 17. Eligibility of the training provider

17.1 In order to be eligible for a subsidy under this category the training provider must:

- 17.1.1 be registered with the UK Register of Learning Providers (UKRLP), and
  - 17.1.2 be able to ensure the training offered is assessed and certified by an appropriate awarding organisation e.g. an awarding organisation accredited to BS EN ISO/IEC 17024:2021 by United Kingdom Accreditation Service (UKAS), or
  - 17.1.3 state the professional bodies to which they belong, detailing the accreditations and qualifications,
  - 17.1.4 have a proven track record of delivering vocational courses in construction, energy efficiency, installation of low carbon heating technologies, or energy assessment,
  - 17.1.5 deliver the training to national standards resulting in the demonstration of competence from the trainee, for example, National Occupational Standards, PAS 2030:2019 standards, PAS 2035 Standards, MCS competency standards, or
  - 17.1.6 deliver minimum technical competencies for an appropriate competent person scheme.
- 17.2 A training provider may be a further education college, a training academy, a manufacturer training centre or any other supplier that can demonstrate the relevant experience to deliver training.

## 18. Eligible costs

- 18.1 A subsidy may only be given under this category for the following eligible costs of a project:
  - 18.1.1 trainers' personnel costs directly related to the project, for the hours which the trainers participate in the training associated with the project;
  - 18.1.2 trainers' and trainees' operating costs directly relating to the training project such as travel expenses, accommodation costs, materials and supplies directly related to the project, depreciation of tools and

equipment, to the extent that they are used exclusively for the training project;

- 18.1.3 trainees' costs for the hours during which the trainees participate in the training associated with the project;
- 18.1.4 any general indirect costs such as administrative costs and additional rent overheads required for the running of the project; and
- 18.1.5 the cost of advisory services specifically linked to the project.

## 19. Further conditions

- 19.1 A public authority should provide subsidies to a training provider where that provider is addressing a gap in the green skills training in a region's market.
- 19.2 Before the subsidy is given, a public authority must conduct a high-level market review to identify the gaps in training.
- 19.3 "Region" means any of the 12 Nomenclature of Territorial Units for Statistics (NUTS) areas as set out by the Office for National Statistics.
- 19.4 Before the subsidy is given, a public authority must approve the training providers scheme of work and lesson plans for the training courses.
- 19.5 It must be a condition of the grant of any subsidy granted under this category that:
  - 19.5.1 a training provider must not provide training that solely or predominantly trains employees or contractors of a single enterprise, whether that enterprise is the same or different to the enterprise carrying out the training, and
  - 19.5.2 the training offered must be either free at the point of delivery or at least 50% of the cost that might reasonably have been expected to have been available on the market.

## 20. Subsidy ratios

- 20.1 Subsidies may be given to any sized enterprise under this category up to either the relevant subsidy ratio or the maximum award amount, whichever is lower.

Subsidies given for projects under this category must not exceed the following subsidy ratios:

20.1.1 40% eligible costs for large enterprises;

20.1.2 50% eligible costs for medium enterprises;

20.1.3 60% eligible costs for small enterprises.

20.2 To each of these subsidy ratios there can be a further uplift of 10% if the training explicitly targets workers with disabilities or underrepresented workers in the industry the training supports:

20.2.1 “workers with disabilities” means a person who has a disability as defined in the Equality Act 2010, or in relation to Northern Ireland, the Disability Discrimination Act 1995;

20.2.2 “underrepresented workers” means groups who are underrepresented in the labour market in relation to the specific training that is being provided for, as evidenced by ONS data.

## 21. Maximum award amounts

21.1 The maximum subsidy for a single enterprise for a single project is £1,000,000



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